

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017.

- 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

BITAUTO HOLDINGS LIMITED
(Exact name of Registrant as specified in its charter)

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)
Cynthia Kun He
Chief Financial Officer
New Century 10 Hotel Office Tower, 6/F
No. 6 South Capital Stadium Road
Beijing, 100044
The People's Republic of China
Tel: (86-10) 6849-2345
Email: ir@bitauto.com
Fax: (86 10) 6849-2200

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

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

Title of Each Class	Name of Exchange on Which Registered
American depositary shares, each representing one ordinary share Ordinary shares, par value US\$0.00004 per share ⁽¹⁾	New York Stock Exchange

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

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

None
(Title of Class)

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

None
(Title of Class)

Indicate the number of 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. 71,350,322.5 ordinary shares issued and outstanding, excluding treasury shares and ordinary shares issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the share incentive plans, par value US\$0.00004 per share, as of December 31, 2017.

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, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

<u>INTRODUCTION</u>	<u>1</u>
<u>FORWARD-LOOKING STATEMENTS</u>	<u>1</u>
<u>PART I</u>	<u>3</u>
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	<u>3</u>
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	<u>3</u>
ITEM 3. <u>KEY INFORMATION</u>	<u>3</u>
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	<u>44</u>
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	<u>67</u>
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	<u>67</u>
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	<u>88</u>
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	<u>99</u>
ITEM 8. <u>FINANCIAL INFORMATION</u>	<u>105</u>
ITEM 9. <u>THE OFFER AND LISTING</u>	<u>106</u>
ITEM 10. <u>ADDITIONAL INFORMATION</u>	<u>106</u>
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>115</u>
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	<u>116</u>
<u>PART II</u>	<u>118</u>
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	<u>118</u>
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	<u>118</u>
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	<u>118</u>
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	<u>119</u>
ITEM 16B. <u>CODE OF ETHICS</u>	<u>119</u>
ITEM 16C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>119</u>
ITEM 16D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	<u>120</u>
ITEM 16E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	<u>120</u>
ITEM 16F. <u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	<u>120</u>
ITEM 16G. <u>CORPORATE GOVERNANCE</u>	<u>120</u>
ITEM 16H. <u>MINE SAFETY DISCLOSURE</u>	<u>121</u>
<u>PART III</u>	<u>121</u>
ITEM 17. <u>FINANCIAL STATEMENTS</u>	<u>121</u>
ITEM 18. <u>FINANCIAL STATEMENTS</u>	<u>121</u>
ITEM 19. <u>EXHIBITS</u>	<u>121</u>

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 its consolidated variable interest entities;
- “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;
- “shares” or “ordinary shares” refers to our ordinary shares, par value US\$0.00004 per share;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States; and
- “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

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 RMB6.5063 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 29, 2017. 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 automotive markets and financial services industry in China and globally;
- market acceptance of our services;
- our expectations regarding demand for our services;
- competition in our industry;

- our ability to develop and satisfy customer demands and preferences;
- our ability to maintain good relationships with our partners;
- competition for, among other things, customers, partners, capital, and skilled personnel;
- general economic and business conditions, particularly in China; and
- changes to government policies and regulations in the industry and geographical markets in which we operate.

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, 2014, 2015, 2016 and 2017 and our selected consolidated balance sheets data as of December 31, 2015, 2016 and 2017 have been derived from our audited consolidated financial statements. The selected consolidated statements of comprehensive income data and the selected consolidated balance sheets 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 U.S. GAAP. Beginning from the first quarter of 2016, we changed our basis of accounting from IFRS to U.S. GAAP. Selected financial data for the year ended December 31, 2013 and as of December 31, 2013 and 2014 are omitted, as we have not prepared such data in accordance with U.S. GAAP and such data cannot be prepared and provided without unreasonable effort and expense. Selected financial data for the year ended December 31, 2013 and as of December 31, 2013 and 2014 prepared under IFRS were disclosed in our Annual Report on Form 20-F for the year ended December 31, 2015. Our consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and as of December 31, 2016 and 2017 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,				
	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	US\$
	(In thousands, except share and per share data)				
Revenue	2,617,839	4,254,195	5,772,948	8,751,259	1,345,044
Cost of revenue ⁽¹⁾	(671,960)	(1,450,744)	(2,077,979)	(3,234,680)	(497,161)
Gross profit	1,945,879	2,803,451	3,694,969	5,516,579	847,883
Selling and administrative expenses ⁽²⁾	(1,259,638)	(3,013,997)	(3,417,811)	(6,059,046)	(931,258)
Product development expenses ⁽³⁾	(148,078)	(312,100)	(457,367)	(565,702)	(86,947)
Other (losses)/gains, net	(10,904)	60,508	70,981	31,576	4,853
Income/(Loss) from operations	527,259	(462,138)	(109,228)	(1,076,593)	(165,469)
Interest income	13,607	24,980	41,651	93,025	14,298
Interest expense	(6,340)	(8,140)	(52,155)	(92,633)	(14,237)
Share of results of equity investees	(893)	(16,663)	(25,640)	(71,866)	(11,046)
Investment income/(loss)	53,581	141,195	(45,012)	(75,097)	(11,542)
Profit/(Loss) before tax ⁽⁴⁾	587,214	(320,766)	(190,384)	(1,223,164)	(187,996)
Income tax expense ⁽⁵⁾	(97,643)	(64,518)	(147,569)	(203,824)	(31,327)
Net income/(loss)	489,571	(385,284)	(337,953)	(1,426,988)	(219,323)
Total comprehensive income/(loss), net of tax ⁽⁶⁾	492,735	(40,536)	121,477	(1,780,735)	(273,694)
Net income/(loss) attributable to Bitauto Holdings Limited	485,639	(506,992)	(541,345)	(1,611,114)	(247,624)
Total comprehensive income/(loss) attributable to Bitauto Holdings Limited	488,803	(162,244)	(82,118)	(1,885,159)	(289,744)
Net income/(loss) per share/ADS attributable to ordinary shareholders					
Basic	11.63	(8.72)	(8.31)	(23.01)	(3.54)
Diluted	10.89	(8.72)	(8.31)	(23.16)	(3.56)
Weighted average number of shares/ADSs					
Basic	41,762,778	58,142,432	65,160,205	70,154,910	
Diluted	44,576,182	58,142,432	65,160,205	70,154,910	

- (1) Including amortization of intangible assets resulting from asset and business acquisitions of RMB8.5 million, RMB19.5 million, RMB1.1 million and RMB3.7 million (US\$0.6 million) in 2014, 2015, 2016 and 2017 respectively.
- (2) Including share-based compensation expense of RMB57.1 million, RMB120.0 million, RMB77.0 million and RMB1.17 billion (US\$179.5 million) in 2014, 2015, 2016 and 2017, respectively, and amortization of intangible assets resulting from asset and business acquisitions and write-down of assets of RMB6.7 million, RMB750.3 million, RMB623.1 million and RMB673.6 million (US\$103.5 million) in 2014, 2015, 2016 and 2017 respectively. Also including professional expenses incurred for the issuance of preferred shares and the initial public offering of Yixin Group Limited, or Yixin, of RMB90.4 million (US\$13.9 million) in 2017.
- (3) Including share-based compensation expense of RMB18.2 million (US\$2.8 million) in 2017.
- (4) Including fair value adjustment of contingent considerations of RMB2.7 million, RMB3.6 million, nil and RMB8.3 million (US\$1.3 million) in 2014, 2015, 2016 and 2017, respectively, share of amortization of equity investments' intangible assets not on their books of RMB0.4 million, RMB0.3 million, RMB2.5 million and RMB0.7 million (US\$0.1 million) in 2014, 2015, 2016 and 2017, respectively, investment income associated with non-cash investment matters of RMB53.6 million and RMB141.2 million in 2014 and 2015, investment loss associated with non-cash investment matters of RMB40.4 million and RMB110.0 million (US\$16.9 million) in 2016 and 2017, respectively, amortization of the beneficial conversion feature (BCF) discount on the convertible notes of RMB13.2 million and RMB57.2 million (US\$8.8 million) in 2016 and 2017, respectively, and impairment on equity investees of RMB21.2 million (US\$3.3 million) in 2017.
- (5) Including tax impact related to professional expenses incurred for the initial public offering of Yixin of RMB5.7 million (US\$0.9 million) in 2017.
- (6) Including net income/(loss) and foreign currency exchange gains/(losses) net of tax of nil.

The following table sets forth our selected consolidated balance sheets as of December 31, 2015, 2016 and 2017.

Consolidated Balance Sheets Data

	As of December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(In thousands)			
Assets				
Current assets	7,885,047	16,474,959	28,117,369	4,321,560
Non-current assets	5,185,965	13,459,797	23,398,363	3,596,263
Total assets	13,071,012	29,934,756	51,515,732	7,917,823
Liabilities				
Current liabilities	2,660,501	11,953,916	22,699,239	3,488,809
Non-current liabilities	88,223	4,219,129	8,578,822	1,318,541
Total liabilities	2,748,724	16,173,045	31,278,061	4,807,350
Redeemable noncontrolling interests	1,697,718	3,939,646	301,953	46,409
Total shareholders' equity	8,624,570	9,822,065	19,935,718	3,064,064
Total liabilities, redeemable noncontrolling interests and shareholders' equity	13,071,012	29,934,756	51,515,732	7,917,823

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 20, 2018, the exchange rate was RMB6.2945 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 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 RMB6.5063 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 29, 2017.

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	Low	High
	(RMB per US\$1.00)			
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.6385	6.5967
December	6.5063	6.5932	6.6210	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April (through April 20, 2018)	6.2945	6.2859	6.3045	6.2655

(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 automobile dealers may still prefer television, outdoor billboards, traditional print and broadcast 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 the block function of 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. 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 has been widely welcomed by our automobile dealer customers, but if we cannot continue to attract and expand our automobile dealer subscribers, we may not be able to sustain our revenue growth and operating profit.

We have attracted the majority of automobile dealers across China to our subscription services. Our SaaS platform, designed mostly for automobile dealers, is based on a service distribution model through which we deliver a package of software applications over the internet to the automobile dealer subscribers. Such internet-based products enable our automobile dealer customers to create their own websites, publish automobile pricing and other promotional information and communicate with interested buyers. Furthermore, our SaaS platform enables automobile dealer customers to publish their automobile pricing and promotional information simultaneously on our websites and our partners' websites. We may pay a fixed fee to our partners for space on their websites in order to extend the customer reach of our automotive database and content and to attract automobile dealers to subscribe our SaaS platform. Our service delivery model has been greatly accepted by our automobile dealer customers. However, we cannot assure you that our service delivery model would continue to attract, maintain or expand our automobile dealer subscriber base by offering new products and services to automobile dealer customers. Our revenue growth and operating profits depend on the expansion of the automobile dealer customer base and the increase in subscription fees. If we cannot continue to attract and expand our automobile dealer customers or if our automobile dealer customers would not accept our subscription fee increase, 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. It is critical to achieving widespread acceptance of our business model, gaining trust for our services and attracting new business partners and consumers to our platform. For example, 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 or automakers and automobile dealers to use our services, 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 in order to build on our position as a leading automobile service provider. While we have a large network of automobile dealer customers and can reach a broad consumer base by placing pricing and promotional information of our automobile dealer customers on our partners' websites in addition to our own websites, our partners that distribute automobile dealers' such information may not always quote our names on their websites, and as a result, we may not achieve the expected visibility among internet users. This could increase our reliance on our partners. If we fail to enhance and maintain our brand recognition, we may lose market share and our business, results of operations and financial condition may be materially adversely affected.

We have taken steps to enhance our brand recognition and gradually establish our identity independent of our partners by expending significant time and resources, including participating in auto shows and other branding events. We use priority listing and traffic referral services provided by major internet search engines in China to increase our customers and users' awareness of our products and services. For example, we provide auto-related content via Baidu Aladdin and Qihoo 360 to market and promote our services. In addition, we work with major news feed platforms to increase our brand exposure, such as Baidu, Toutiao and Tencent Social Ads. We also subscribe for marketing services by mobile app distribution platforms, such as Baidu and Tencent's app platforms, or app stores of major mobile phone manufacturers.

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 we are unable to maintain and further enhance our brand recognition and promote awareness of our platform, we may not be able to grow or maintain our customer base. 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 website and corresponding mobile apps, as well as online platform of Yixin Group Limited, or Yixin's online platform. Revenue concentration is primarily a factor for our digital marketing solutions business due to the relatively small number of automaker customers for this business and the large amounts of their contracts with us. In 2015, 2016 and 2017, revenues from the top three automaker customers in each period accounted for approximately 12.0%, 6.5% and 7.4% respectively, of our total revenues. 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 third-party media vendors calculated as a percentage of the purchase price for qualifying 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 third-party websites, which is an important source of revenues for us.”

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 third-party websites, which is an important source of revenues for us.

An important part of our digital marketing solutions business is to place advertisements on third-party 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 the purchase price for qualifying advertising space purchased and utilized by our customers. Performance-based rebates are an important source of our revenues. In 2015, 2016 and 2017, income from performance-based rebates accounted for 6.8%, 7.8% and 5.6%, respectively, of our total revenues. 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 affect our financial condition and results of operations.

Our growth prospects may be materially and adversely affected if we are unable to successfully execute our mobile strategy.

There is an increasing trend of accessing the internet through devices other than a personal computer, such as smart phones, tablets and other mobile devices. We have developed a few mobile apps and plan to devote more resources to develop more applications for various mobile devices. Our mobile apps had over 200 million downloads and activations as of December 31, 2017 and we believe the majority of sales leads were generated from our mobile apps. However, we have limited experience in developing and optimizing versions of applications for users on mobile devices and platforms. We have devoted significant resources to developing mobile apps and face significant competition from established companies that have far greater experience than we do. We expect existing competitors to allocate more resources to develop and market competing applications and new mobile-applications competitors to enter the market. Our limited experience makes it difficult to predict whether we will succeed in developing mobile apps that appeal to automakers and automobile dealers. Our experience in developing browser-based applications may not be relevant to developing mobile apps, and we have limited experience working with wireless carriers, mobile platform providers and other partners. These and other uncertainties make it difficult to predict whether we will succeed in developing commercially viable mobile apps.

Furthermore, the generally lower processing speed, power, functionality and memory associated with mobile devices make using applications through such devices more difficult; and the versions of our applications developed for these devices may not be appealing to users. In addition, each device manufacturer or platform provider may impose unique or restrictive terms and conditions for developers relying on such devices or platforms, and our applications may not work well or be used on these devices as a result. As new devices, new mobile platforms and updates to platforms are continually being released, we may encounter problems in developing our applications for use on these devices and platforms and we may need to devote significant resources to creating, supporting and maintaining our applications on such devices and platforms. If we are unable to successfully expand into mobile platforms and devices, or if the versions of our applications that we create for such platforms and devices are not appealing to our users, our business and growth prospects, financial condition and results of operation may be materially and adversely affected.

We provide transaction services primarily through Yixin, our controlled subsidiary. These services may expose us to certain credit risks.

We provide transaction services primarily through Yixin, our controlled subsidiary. By leveraging the online platform, Yixin provides transaction platform business and self-operated financing business. In 2016, with the development of the transaction services, we changed our reporting segment and the transaction services business was reported as a separate business segment. Although our transaction services have grown rapidly in the past few years, they are still evolving and may face new risks and challenges. In addition, due to our limited operation history in transaction services, most of our financing lease contracts are not fully seasoned. The quality of our finance receivables may deteriorate as these finance receivables fully season or as our transaction services volume expands. The asset quality may also deteriorate as our product mix evolves.

Credit risk is inherent in our self-operated financing business and in our loan facilitation services, to the extent that we are required to provide guarantee to the consumers financed by our auto finance partners. Credit risks are exacerbated in consumer financing because there is relatively limited information available about the credit histories of the individual car buyers. There can be no assurances that our monitoring of credit risk issues and our efforts to mitigate credit risks through our credit assessment and risk management policies are or will be sufficient to result in lower delinquencies.

Additionally, our data-driven credit risk management system also may not be able to exhaustively mitigate our exposure to credit risk. Currently, our data analytics capabilities are primarily applied in our anti-fraud system and credit scoring system to assist the credit assessment procedures. Our credit risk management methods depend on the evaluation of information regarding customers, automobiles and other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. In addition, for most of our auto finance products, we generally require less documentation from applicants than that would otherwise be required by traditional banks for credit assessment and approval, which further limits the credit information of certain applicants available to us and may result in increasing risks. Certain steps of our risk management procedures are carried out manually, and are susceptible to human error and misjudgment. As such, our assessment of credit risks associated with a particular customer may not always be accurate. We cannot assure you that our assessment and monitoring of credit risk will always be sufficient and our efforts to mitigate credit risk through our credit assessment procedures and risk management system are or will always be sufficient to manage our past due ratio. Any insufficiency in our credit risk management system and any significant deterioration in the portfolio quality of our self-operated financing business and loan facilitation services and significant increase in associated credit risk may have a material adverse effect on our business, results of operations and financial condition.

Furthermore, deterioration in the overall quality of loan portfolio and increased exposure to credit risks may occur due to a variety of reasons, including factors beyond our control, such as a slowdown in the growth of the PRC or global economies or a liquidity or credit crisis in the PRC or global financial sectors, which may adversely affect the liquidity of the borrowers or their ability to repay or roll over their debt. Significant decrease in residual value of our automobile collateral may also lower the recoverability of our finance receivables. Any significant deterioration in the asset quality of our financial services business and significant increase in associated credit risks may have a material adverse effect on our business, results of operations and financial condition.

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

We make provisions for impairment losses on finance receivables in accordance with U.S. GAAP. Our provision for credit losses amounted to RMB134.2 million (US\$20.6 million), representing 0.45% of our net finance receivables as of December 31, 2017. This reflected our approach to provisions in view of our business operations. The amount of such provisions for impairment losses is determined on the basis of our internal provisioning procedures and guidelines with consideration of factors, such as the historical loss probability and days past due. As our provisions under U.S. GAAP require significant judgment and estimation, our provision for credit losses may not always be adequate to cover credit losses in our business operations. In particular, since we have limited experience in the self-operated financing business, we might in the future adjust our provisioning judgment or policies as we gain more experience in this business, which could in turn lead to additional provisions for our receivables. We expect our provision charge to increase in the future as we continue to grow our business. Our provision for credit losses may prove to be inadequate if adverse changes occur in the Chinese economy or if other events adversely affect specific customers or markets. Under such circumstances, we may need to make additional provisions for our receivables, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

Our efforts to grow Yixin's used automobile business may not succeed.

Yixin operates used automobile business which extends the reach of our platform. In the past few years, automobile purchases by general consumers have experienced growth in China. Automobiles are becoming more affordable to a broader group of consumers at different income levels. Many people in China 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 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 used automobile market does develop, we cannot predict whether there will be a similar market on the internet and whether we will be poised to capture any of the growth. Yixin's used automobile business may not prove profitable if the market for used automobile fails to develop or develops at a slower rate than expected, which could materially and adversely affect our financial condition and results of operations.

Our expansion into the financial sector may subject us to regulatory, and reputational risks, each of which may have a material adverse effect on our business, results of operations and financial condition.

We provide loan facilitation services that we facilitate auto loans to consumers offered by our auto finance partners. We provide self-operated financing services that we primarily provide consumers with auto finance solutions through financing lease and operating leases. We also provide guarantee services.

PRC laws and regulations concerning the internet finance industry, particularly those governing credit lending, are evolving. Although we have taken careful measures to comply with the laws and regulations that are applicable to the financial related services that we offer, the PRC government authority may promulgate new laws and regulations regulating the internet finance industry in the future. If the operation of our financing related services were deemed to violate any PRC laws or regulations, our business, financial conditions and results of operations would be materially and adversely affected. We cannot assure you that our practices would not be deemed to violate any PRC laws or regulations. Moreover, developments in the internet finance industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict online consumer financing or related services like those we offer, which could materially and adversely affect our business and operations. Furthermore, we cannot rule out the possibility that the PRC government will institute a new licensing regime covering services we provide at some point in the future. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

Furthermore, negative publicity about us or our financial partners, such as negative publicity about debt collection practices and any failure by us or those partners to adequately protect the information of borrowers, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation. Furthermore, any negative development in the internet finance industry, such as bankruptcies or failures of companies providing similar services, or negative perception of the industry as a whole, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our business and results of operations.

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

The development of finance business is capital intensive. To address the capital requirements, Yixin has entered into asset-backed securitization arrangements, under which Yixin has transferred the economic benefits in certain financial assets in exchange for cash proceeds. However, there is no guarantee that Yixin may enter into additional securitization transactions on commercially reasonable terms, and we may be subject to potential losses associated with the existing securitization transactions. We cannot assure you that additional securitization transactions will be available on terms acceptable to us, or at all. Transaction terms may deteriorate, in the form of reduced liquidity, reduced demand for asset-backed securities and higher financing costs, significantly in the event of global or domestic economic turmoil. Our ability to enter into securitization transactions in a timely manner is affected by a number of factors beyond our control, any of which could cause substantial delays, including market conditions, the approval by transaction counterparties of the terms of the securitization, as well as our ability to accumulate sufficient number of financing lease contracts for securitization. We may require additional cash resources due to further developments or changing business conditions. We may seek to obtain a credit facility or sell additional equity or debt securities. The incurrence of indebtedness would result in increased debt service obligations and any operating and financial covenants that could restrict our operations.

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

Our advertising and subscription business faces competition from many market participants. With respect to our automobile advertising services operated through bitauto.com, and corresponding mobile apps we face competition from China's automotive vertical websites, such as autohome.com.cn and pcauto.com.cn, automotive channels of major internet portals, internet video websites, social media and networking websites, and emerging new media on mobile end, such as news reader applications, social media applications and ride-sharing applications, as well as 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 television, newspapers, magazines and radio, we still compete with them for clients and advertising revenues. Competition with automotive vertical websites and portals 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 media and networking websites, internet video websites and new media on mobile end 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. With respect to our subscription business, we mainly face competition from automotive vertical websites, such as autohome.com.cn and pcauto.com.cn, in terms of automobile inventory, timeliness and accuracy of automobile pricing and promotional information and website traffic.

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

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 as well as local agencies that specialize in providing online marketing services. 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 third-party 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.

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

To broaden the consumer reach of our automotive database and content, we place pricing and promotional information by our automobile dealer customers not only on our automotive vertical website and corresponding mobile apps, but also on our partner websites. Depending on the arrangement, we may pay a fixed fee to some partners for their advertising resources. Our partners 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 partners may choose to partner with our competitors or decide to develop an automobile promotional and automobile dealer information database by themselves. If we are unable to partner with all or most of major partners on reasonable terms, we may experience a reduction in the number of automobile 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 adverse changes to our relationships, 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 and financial services industries 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 and financial services industries for substantially all our revenues, which we generate from providing internet content, marketing services and transaction services to our customers. We have greatly benefited from the rapid growth of China's automotive and financial services industries and the rise of China's online automobile financial services market during the past few years. However, China's automotive industry and online automobile financing market are still at an early stage of development and remain subject to many uncertainties. We cannot predict how these industries or market will develop in the future. Further, the growth of China's automotive and financial services industries 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 development in the automotive industry and financial services industry;
- 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 automobile sales, policies limiting automobile purchases in some cities.

Any adverse change to these factors could reduce demand for automobiles, which, in return, would likely reduce demand for our products and services from automakers, automobile dealers, car buyers, auto finance partners, and other aftermarket service providers. Demand for our products and services is particularly sensitive to changes in general economic conditions. Automakers and automobile dealers typically cut their marketing expenditures and car buyers may delay their purchases during periods of economic downturn. In addition, purchases of new automobiles are often discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy. Historically, unit sale of automobiles, particularly new automobiles, has been cyclical, fluctuating with general economic cycles. If China's automotive and financial services industries fail to expand or China's economy stagnates or contracts, our business, financial condition and results of operations would be materially and adversely affected.

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

Government policies on automobile purchases and ownership may have a material effect on our business due to their influence on consumer behaviors. Since 2009, the PRC government has repeatedly changed the purchase tax on passenger automobiles with 1.6 liter or smaller engines. For example, purchase tax for passenger automobiles with 1.6 liter or smaller engines was raised back to 10% from previous 7.5% in January 2018. In addition, in August 2014, several PRC governmental authorities jointly announced that from September 2014 to December 2017, purchases of new energy automobiles that are within certain designated catalogues will be exempted from the purchase tax. This exemption period was later extended further to December 2020 according to an announcement jointly issued by several PRC governmental authorities in December 2017. In April 2015, several PRC governmental authorities also jointly announced that from 2016 to 2020, purchasers of new energy automobiles that are within certain designated catalogues will enjoy subsidies. In December 2016 and February 2018, relevant PRC governmental authorities further adjusted the subsidy policy for new energy automobiles in succession. 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 decline, our revenues may fluctuate and our results of operations may be materially and adversely affected.

Some local governmental authorities also issued regulations and relevant implementation rules in order to control traffic and reduce the number of automobiles. For example, local Beijing governmental authorities adopted interim 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 interim regulations were amended in December 2017 and the implementing rules were amended in December 2011 and November 2013. Local Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2013. There are similar policies that restrict the issuance of new passenger car license plates in other cities, such as Shanghai, Tianjin, Hangzhou, Guiyang and Shenzhen. In September 2013, the State Council released a plan for the prevention and remediation of air pollution, which requires large cities, such as Beijing, Shanghai and Guangzhou, to further restrict the number of motor vehicles. In October 2013, the Beijing government issued an additional regulation to limit the total number of vehicles in Beijing to no more than six million by the end of 2017. Such regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China's automotive industry, which in turn may have a material adverse impact on our business due to our reliance on the performance of automakers and automobile dealers.

Our substantial indebtedness could adversely affect our business, financial condition and results of operations.

We have entered into revolving facility credit agreements and collateral borrowing agreements with several commercial banks and licensed financial institutions in China since 2015. As of December 31, 2017, the amount of RMB16.32 billion (US\$2.51 billion) was outstanding under those agreements. The development of self-operated financing business, primarily operated by Yixin, is capital intensive. We have relied on securitization transaction to finance the expansion of the self-operated financing business. As of December 31, 2017, the carrying amount of our asset-backed securities debts was RMB8.78 billion (US\$1.35 billion).

In November, 2017, Yixin completed the global offering of its shares and listed on the Hong Kong Stock Exchange. The net proceeds from the global offering, after deducting certain underwriting commission and expenses were approximately HK\$6,507.6 million (US\$849.2 million). Despite such fund raising activities, Yixin may require additional cash resources due to further expansion plans, developments or changing business conditions. Yixin may seek to obtain a credit facility or sell additional equity or debt securities. The sale of additional equity securities could result in further dilution of our equity stake in Yixin, and the investors and other shareholders may have a strategy or objective different from ours with respect to Yixin or impose conditions that could restrict the operations of Yixin.

Our indebtedness could have significant consequences on our operations, including:

- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt service obligations;
- limiting our ability to obtain additional financing;
- limiting our flexibility in planning for, or reacting to, market changes;
- increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy;
- potentially increasing the cost of any additional financing; and
- requiring over-collateralization and credit enhancement.

Any of these factors and other consequences that may result from our substantial indebtedness could have an adverse effect on our business, financial condition and results of operations as well as our ability to meet our payment obligations under our debt. Our ability to meet our payment obligations under our outstanding debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. Furthermore, if we are unable to comply with the restrictions contained in our credit agreements, an event of default could occur under the terms of such agreements, which could cause repayment of such debt to be accelerated and affect our liquidity. We may also require additional cash resources due to further developments or changing business conditions. We may seek to obtain a credit facility or sell additional equity or debt securities. The incurrence of indebtedness would result in increased debt service obligations and any operating and financial covenants that could restrict our operations.

We may not be able to refinance our indebtedness on favorable terms, if at all. Our inability to refinance our indebtedness could materially and adversely affect our liquidity and our ongoing results of operation.

We may choose to refinance certain of our borrowings with new loans as they become due. Our ability to refinance our indebtedness will depend in part on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and financial, business, legislative, regulatory and other factors beyond our control. In addition, the increase in prevailing interest rates or other factors at the time of refinancing could result in an increase in our interest expense or other refinancing costs. Refinancing our indebtedness could also require us to comply with more onerous covenants and further restrict our business operations. If we are not able to refinance our indebtedness on favorable terms, or at all, when they become due, we will be required to repay our indebtedness as they become due. If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to seek alternatives, such as to reduce or delay investments, to sell assets, or seek additional capital, all of which could materially and adversely affect our business, prospects, results of operations, financial condition, cash flows and make us vulnerable to adverse industry and general economic conditions.

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 accounts receivable. With the rapid growth of financial leasing services, our cash flow may be adversely affected with our increased indebtedness and exposure to the credit risks. Our cash flow from operations might not be sufficient to cover our accounts payable 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.

We may be liable to pay third-party 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 third-party 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, 2017, our accounts receivable and our accounts payable were RMB2.85 billion (US\$438.7 million) and RMB2.18 billion (US\$334.5 million), respectively. Of these receivables and payables, RMB746.9 million (US\$114.8 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 significant collection issues that required us to provide allowance for doubtful accounts in connection with our receivables from our automaker customers except for one with long aging receivables until December 31, 2017. Under our contracts with media vendors, terms of our accounts payable 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 may not renew our services after the expiration of their contract terms. They may also renew for shorter contract terms or for lower-cost editions of our services. For example, although the renewal rates for our automobile dealer subscription services were approximately 84% in 2017, 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 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, financial condition and results of operation 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 advertising services on our bitauto.com website and corresponding mobile apps, as well as Yixin's online platform enables us to place advertisement for our automotive customers, auto finance customers and insurance companies on the internet and our SaaS platform enables us to deliver services to our automobile dealer customers, who access our software applications on the internet. Distribution of automobile dealers' pricing and promotional information is also accomplished through the internet. While our transaction services provided by Yixin enables us to interact online with our car buyers, automaker, automobile dealers, auto finance partners, and aftermarket service providers to promote our products and solutions. 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 and Shanghai. 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. We have not experienced any system failures in 2017. 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.

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

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

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

Breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems and database, disruptions to our business activities, inadvertent disclosure of confidential or sensitive information, interruptions in access to our 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 SaaS platform allows our customers to edit and publish pricing and promotional information, while our transaction services facilitates automobile retail transactions and auto-related transactions via Yixin's online platform. These websites and mobile apps store and transmit such information 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, 2017, we had sales and service representatives network located in over 200 cities across China and plan to continuously expand our network to more cities. Geographical expansion is particularly important for us to acquire more automobile dealer customers, whose operations are typically 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 and, even if we continue to introduce and grow our new business initiatives, we may not be able to successfully identify and timely and cost-effectively develop and introduce new products and services at all.

Continued increases in our advertising revenues from our automobile website and mobile apps depend on our ability to attract consumers to our media properties and monetize that traffic at profitable margins with advertisers. If our website and mobile apps do not provide a compelling, differentiated user experience, we may lose visitors to competing sites. Further, if traffic to our websites and mobile apps declines, we may lose some of our advertising customers who may reduce or cease their advertising purchases through us. 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 automobile dealer customers may not continue to subscribe to our SaaS platform, 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. In addition, the sustainable growth of revenues from our transaction services depends on our ability to provide efficient and quality services to facilitate automobile retail transactions and auto-related transactions. Our competitors may introduce new alternative products that are more sophisticated and cost-effective than ours.

To increase our brand recognition and stay competitive, we need to continue to develop new products and services for visitors to our websites and our automaker and automobile dealer customers, as well as auto finance partners and other aftermarket service providers. 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.

Even if we introduce new business initiatives, we also cannot assure you that we will be able to develop new business initiatives to grow our revenues. Our unfamiliarity with the new market sectors may make it difficult for us to anticipate the demands and preferences in the market and provide products and services that meet the requirements and preference of our users. Therefore, our financial results may be adversely affected in the short term if our new business initiatives are unable to continue to grow as we have expected. In addition, we may not be able to successfully identify, and timely and cost-effectively develop and introduce new products and services to our users and customers at all.

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 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. Our revenue trends relating to our transaction services operated by our Yixin platform are also a reflection of consumers' automobile purchase patterns. Consumers tend to purchase a higher volume of automobiles in the second half of each year, in part due to the introduction of new models from automakers. Therefore, the seasonality of the automobile retail business and the resulting spending pattern of automakers and automobile 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.

Certain, 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 shareholders of an opportunity to receive a premium for the ADSs.

As of March 31, 2018, our directors and executive officers beneficially owned approximately 11.4% of our outstanding ordinary shares. Accordingly, these directors and executive officers 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 the interests of 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. These shareholders may cause corporate actions to be taken even if they are opposed by you and our other shareholders. This could deprive you and our other 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. 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. There are no rebate arrangements to our digital marketing solutions business when we place advertisements on our own websites in prior years. For the year ended December 31, 2017, rebate comparable to third-party advertising agents was paid to our digital marketing solutions business. 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.

Product recalls in the automobile industry could harm our business and cause our revenues to decrease.

Automakers periodically recall defective products. These product recalls interrupt the normal business operation of automakers, their joint ventures and their automobile dealers in China. From time to time, our customers recall products, 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 automobile dealers suspend or decrease using our services. If any of our customers recall their products 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. As an online advertisement distributor, we are required to verify the identity information of our customers who choose to place their advertisements on our websites. We must also review supporting documents provided by advertisers and verify the content of the advertisements and are prohibited from publishing any advertisement inconsistent with or with the lack of the supporting documents. While we do have a review procedure prior to publishing, we cannot guarantee that we can entirely eliminate advertisements with content that would be deemed inappropriate or misleading. If we are deemed to be in violation of PRC law or regulations, we may be subject to penalties, including suspension of publishing, confiscation of the revenues related to these advertisements, levying of fines and suspension or termination of our advertising business, any of which may materially and adversely affect our business.

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 automobile dealer pricing and promotional information.

We rely on our automobile dealer customers to timely and accurately update their automobile information, prices, sales and promotions. The popularity of our automobile listings posted by automobile dealers, in particular pricing information of automobiles, is premised on the accuracy, comprehensiveness and reliability of the data. If the information listed by our automobile 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. 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 brand, trademarks, copyrights, trade secrets and other intellectual property.

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

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

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

Most of Yixin's financing lease contracts are outstanding for a relatively short period and are not fully seasoned. Our historical past due ratio and other asset quality information may not be indicative of our future past due ratio and other asset quality information. The quality of our finance receivables may deteriorate as the finance receivables fully season or as our business volume expands. Moreover, the level of risk we are exposed to is different among different financing lease products. For example, the risk we are exposed to in used automobile purchase financing for consumers is different from that for new automobiles. In addition, the risk we are exposed to in collateralized financing for consumers is different from that of automobile purchase financing for consumers. If the quality of our receivables changes significantly as our finance receivables season or as our business mix evolves, our business, financial condition and results of operations may be materially and adversely affected.

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

We 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, including but not limited to 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 RMB4.25 billion in 2015 to RMB8.75 billion (US\$1.35 billion) in 2017. Our sales and service representatives network has covered over 200 cities as of December 31, 2017. 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 operating history may not serve as an adequate basis to judge our future prospects and results of operations.

Our operating history may not provide a meaningful basis on which to evaluate our business. In recent years, we have started new initiatives, among others including our transaction services primarily provided by Yixin, who were launched in December 2013 as our auto finance department and our controlled subsidiary, Yixin, was officially established in November 2014.

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, internet marketing and financing services 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.

Meanwhile, due to the limited operating history and the historical adjustment of business of Yixin make it difficult for investors to evaluate our business and prospects.

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 January 2015, we entered into agreements to form strategic partnership with JD.com, Inc., or JD.com, the leading online direct sales company in China listed on the Nasdaq Global Select Market, and Tencent Holdings Limited, or Tencent, a leading provider of comprehensive Internet services and listed on the Hong Kong Stock Exchange. In February 2015, JD.com and Tencent made investments in us with a combination of US\$550 million in cash and certain resources, and investments totaling US\$250 million in cash in Yixin. In June 2016, each of Tencent, JD.com, and Baidu, Inc., or Baidu, invested US\$50 million in us and PAG subscribed for our convertible bonds in an aggregate principal amount of up to US\$150 million. Between August 2016 and May 2017, Tencent, JD.com, Baidu, together with certain other investors, invested in an aggregate amount of US\$464 million in cash, in Yixin. In recent years, we continued to make certain investments in some private companies, a majority of which are in auto and auto-related industries.

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 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. It is unclear whether the Chinese economy will continue to experience the high growth rate in the past. 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 the United States. The global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone in 2014, the hostilities in the Ukraine and the Middle East and the unrest in North Korea. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. It is impossible to predict how the Chinese economy would develop in the future.

There have been recently signs that the rate of China's economic growth is declining. Any prolonged 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 automobile 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 automobile dealers in China and decrease the demand for our services. We depend on automakers and automobile dealers for business. Continued economic growth in China expanded the network of automakers and automobile 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 automobile dealers. By contrast, negative economic trends could lead to consolidations among automakers and automobile dealers, and in effect shrink our customer base. Production lines might be contracted or shut down. A reduction in the number of automakers and automobile dealers would reduce the number of opportunities we have to sell our products and services. To the extent that the automakers and automobile 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. Lastly, with respect to our online automotive financial platform services, a significant general economic downturn may increase our or our financial partners' credit risk exposure if the financial position of the car buyers are severely and adversely affected. Although most of the financial leases via our platform are secured by the automobiles, foreclosures may be costly and time consuming and if those automobiles lose values dramatically, we may not be able to recover the full loan amount by foreclosures.

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, 2017, our sales and service representatives network covered over 200 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, SARS, H7N9 or other pandemics. 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.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms’ audit documents via the China Securities Regulatory Commission, or the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delay or abandonment of this offering, delisting of our ordinary shares from the New York Stock Exchange or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

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. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the China Securities Regulatory Commission, or the CSRC, or the Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

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 and financing. Our wholly foreign-owned PRC subsidiaries are currently not eligible to apply for the required licenses for providing internet content services in China.

As such, we conduct part of our material business through our variable interest entities in China, including Beijing Bitauto Information Technology Company Limited, or BBIT, and Beijing Yixin Information Technology Company Limited, or Beijing Yixin. Our variable interest entities are currently owned by shareholders who are PRC citizens or PRC entities and the relevant variable interest entities hold the requisite licenses or permits to provide internet content or advertising services in China. Shareholders of our variable interest entities are set forth in "Item 4. Information on the Company—C. Organizational Structure." Our variable interest entities entered into a series of contractual arrangements with our subsidiaries but directly operate our businesses in China. We have been and are expected to continue to depend on variable interest entities to operate our businesses. We do not have any equity ownership interest in any of the variable interest entities 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 Variable Interest Entities and Their Shareholders."

Furthermore, on July 26, 2006, the 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 valued-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 are considered value-added telecommunication services set forth in the MIIT Notice and BBIT owns an ICP license, for its provision of internet information service and all the trademarks used for its internet information services on its websites. 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 variable interest entities. 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 variable interest entities), except as otherwise disclosed in this report, 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 variable interest entities 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 subsidiaries' and variable interest entities' operations;
- imposing fines, confiscating the income of the variable interest entities or our income, or imposing other requirements with which we or our PRC subsidiaries and variable interest entities may not be able to comply;
- imposing conditions or requirements with which we or our PRC subsidiaries and variable interest entities may not be able to comply;
- requiring us or our PRC subsidiaries and variable interest entities to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds of our public offering to finance our business and operations in China; or
- taking other regulatory or enforcement actions that could be harmful to our business.

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

We rely on contractual arrangements with our variable interest entities 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 variable interest entities in China and their respective shareholders to operate our internet content and advertising services business. Our variable interest entities contributed RMB4.15 billion, RMB4.39 billion and RMB4.42 billion (US\$679.3 million), representing 97.6%, 76.0% and 50.5%, respectively, of our total revenues in 2015, 2016 and 2017. Our wholly foreign-owned subsidiaries such as Beijing Bitauto Internet Information Company Limited, or BBII, and Beijing KKC Technology Company Limited, or Beijing KKC, follow the commonly used methodology, which is to charge service fees based on each variable interest entity's revenues reduced by its turnover taxes, such as value-added taxes and other surcharges, cost of revenues, operating expenses and an appropriate amount of retained profit that is determined pursuant to tax planning strategies and relevant tax laws.

Although we have been advised by our PRC counsel that, each of the contractual arrangements with our variable interest entities are valid under current PRC laws, these contractual arrangements may not be as effective in providing us with control over the variable interest entities 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 variable interest entities. If we had direct ownership of the variable interest entities, 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 variable interest entities by causing them to declare and pay dividends. However, under the current contractual arrangements, as a legal matter, if any of the variable interest entities 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 variable interest entity were to refuse to transfer their equity interests in such variable interest entity 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 variable interest entity or its shareholders terminate the contractual arrangements or (iii) any variable interest entity 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 variable interest entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial position and results of operations. If any of the variable interest entities 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 variable interest entities and our subsidiaries 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 which established our corporate structure for operating our business in China 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 variable interest entities' shareholders may be subject to limitations based on PRC laws and regulations.

Pursuant to the share pledge agreements, the shareholders of variable interest entities agreed to pledge all of their equity interests in variable interest entities to the relevant PRC subsidiaries to secure variable interest entities' performance of their obligations under the relevant contractual arrangements. The share pledge as contemplated under the share pledge agreements by and among our PRC subsidiaries, variable interest entities and each of their respective shareholders have been registered with the relevant local branch of the State Administration for Industry and Commerce, or the SAIC.

The share pledge agreements provide that the pledged equity interest shall constitute security for all of the payment obligations of the variable interest entities under the exclusive business cooperation agreement. However, it is possible that a PRC court may take the position that the amount indicated on the equity pledge registration forms filed with the local branch of SAIC represents the full debt amount that the pledge secures. If this is the case, the obligations that are supposed to be 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 variable interest entities 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 variable interest entities. For example, Mr. Bin Li, our chairman of the board of directors, is also the shareholder of some of our variable interest entities. For these directors and executive officers, their fiduciary duties toward our company under Cayman Islands law—to act honestly, in good faith and with a view to our best interests—may conflict with their roles in our variable interest entities, as what is in the best interest of our variable interest entities may not be in the best interests of our company. The fiduciary duty implied from their roles as our directors and executive officers is not fully aligned with their interests as shareholders of our variable interest entities. These individuals may breach or cause the variable interest entities 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 variable interest entities 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 variable interest entities, 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 variable interest entities' shareholders to cause them to transfer all of their equity ownership in variable interest entities to a PRC entity or individual designated by us, and this new shareholder of variable interest entities could then appoint new directors of variable interest entities to replace the current directors. In addition, if such conflicts of interest arise, BBII, our wholly foreign-owned PRC subsidiary, could also, in the capacity of the attorney-in-fact of variable interest entities' shareholders as provided under the irrevocable power of attorney, directly appoint new directors of variable interest entities to replace the current directors. We rely on variable interest entities' 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 variable interest entities, 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 variable interest entities may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and the variable interest entities owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

As a result of our corporate structure and the contractual arrangements between us and our PRC variable interest entities, we are effectively subject to 6% or 17% value-added tax, as well as enterprise income tax at the rate of 25% on revenues derived from our contractual arrangements with our PRC variable interest entities. Under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. We are not able to determine whether any of our transactions with our variable interest entities 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 variable interest entities 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 subsidiaries in China and any of the variable interest entities 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 variable interest entities and assess more taxes on it. In addition, the PRC tax authorities may impose late payment interest and other penalties on such variable interest entities for underpayment taxes. Our results of operations may be adversely and materially affected if the tax liabilities of any of the variable interest entities increase or if it is found to be subject to late payment interests or other penalties.

We may have exposure to greater than anticipated tax liabilities.

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

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

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

If our PRC subsidiaries or variable interest entities become the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy substantially all of our assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenues and the market price of our ADSs.

As part of the contractual arrangements with the variable interest entities, their shareholders and our subsidiaries, the variable interest entities and their subsidiaries hold operating permits and licenses and substantially all of the assets that are important to the operation of our business. We expect to continue to be dependent on our variable interest entities and their subsidiaries to operate our business in China. If our variable interest entities go bankrupt and all or part of their 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 would materially and adversely affect our business, financial condition and results of operations. If our variable interest entities undergo a voluntary or involuntary liquidation proceeding, their equity holders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which would materially and adversely affect our business, our ability to generate revenues and the market price of our ADSs.

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

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

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether the investment in China is made by a foreign investor or a PRC domestic investor. The draft Foreign Investment Law specifically provides that an entity established in China but “controlled” by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOC or its local branches, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover, among others, having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. If the foreign investment falls within a “negative list,” to be separately issued by the State Council in the future, market entry clearance by the MOC or its local branches would be required. Otherwise, all foreign investors may make investments on the same terms as Chinese investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—Risks 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 “Item 4. Information on the Company—C. Organizational Structure.” Under the draft Foreign Investment Law, if a variable interest entity is ultimately controlled by a foreign investor via contractual arrangement, it would be deemed as a foreign investment. Accordingly, for any company with a VIE structure in an industry category that is on the “negative list,” the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC individual, or PRC government and its branches or agencies). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign invested enterprises and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

It is uncertain whether we would be considered as ultimately controlled by Chinese parties or not. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties. Moreover, it is uncertain whether the value-added telecommunication services and advertising services, which our variable interest entities provide, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as MOC market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we face substantial uncertainties as to whether these actions can be timely completed, or at all, and our business and financial condition may be materially and adversely affected.

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

Risks 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 and financial services industries 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, and the rate of growth has been slowing. Further, the Chinese economy has been transitioning from a planned economy to a more market-oriented economy and a substantial portion of the productive assets in China is still owned by the PRC government. The PRC government exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting 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. 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 May 2017, the State Internet Information Office, or the SIIO, issued the Provisions for the Administration of Internet News Information Services, or Internet News Provision, and its implementing rules, which became effective on June 1, 2017. Internet news information services refers to editing, publishing and reprinting and the dissemination platform service of internet news through internet websites, mobile apps, forums, blogs, micro-blogs, official accounts, instant message tools, live-streaming and other similar means. Under the Internet News Provision and its implementing rules, if an entity intends to provide internet news information services, it is required to obtain an internet news information service license, and no internet news service providers may take the form of a foreign-invested enterprise, whether a joint venture or a wholly foreign-owned enterprise, and no cooperation between internet news service providers and foreign-invested enterprises is allowed prior to the security evaluation by the SIIO. The SIIO shall be in charge of the supervision and administration of the internet news information services throughout China. The counterparts of the SIIO 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 information services, we will be required to obtain an internet news information service license. However, we and our PRC counsel have consulted the relevant government authorities and have been informed that according to their understanding, we would not be required to obtain the internet news information license because we only post industry-related information, such as introduction or evaluation of automobile products. However, if any of the internet information posted on our websites is deemed by the government 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 information regulations, the PRC regulatory authorities may suspend relevant activities and impose a fine exceeding RMB10,000 but not more than RMB30,000.

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

We conduct our business primarily through our significant subsidiaries and variable interest entities 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 subsidiaries and variable interest entities 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.

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

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

We have requested PRC resident shareholders who we know hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents.”

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

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

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

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

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably, and in recent years the RMB has depreciated significantly against the U.S. dollar. Since October 1, 2016, the RMB has joined the International Monetary Fund (IMF)’s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollar during this one-year period. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, repaying our U.S. dollar denominated notes or other payment obligations or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the RMB relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency.

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 entities.

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries and variable interest entities, or we may make additional capital contributions to our PRC subsidiaries. Such loans to our subsidiaries or variable interest entities in China and capital contributions are subject to PRC regulations and approvals. For example, loans by us to our subsidiaries or variable interest entities in China cannot exceed a statutory upper limit and must be filed with SAFE, or its local branch through the online filing system of SAFE after the loan agreement is signed and at least three business days prior to the borrower withdraws any amount from the foreign loan. Capital contributions to our PRC subsidiaries must be approved by or filed with the PRC Ministry of Commerce or its local counterpart. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or Circular 19, which took effect and from June 1, 2015. Although Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions will continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. If our variable interest entities require financial support from us or our wholly owned subsidiaries in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our variable interest entities' operations will be subject to statutory limits and restrictions, including those described above.

The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the net proceeds from 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 filings on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or filings, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

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

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract law, that became effective in January 1, 2008, as amended on December 28, 2012 and effective as of July 1, 2013, and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

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

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders 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, or the SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws are satisfied at the discretion of relevant PRC tax authority. We are a Cayman Islands holding company and we have subsidiaries in Hong Kong which in turn hold controlling equity interest of our PRC subsidiaries. Substantially all of our income may be derived from dividends we receive from BBII and our other PRC subsidiaries. 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 subsidiaries by BBII and our other PRC subsidiaries may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on Issues concerning Beneficial Owner in Tax Treaties, or Circular 9, issued on February 3, 2018 by the SAT, which became effective from April 1, 2018 and superseded the Notice on the Comprehension and Recognition of Beneficial Owner in Tax Treaties issued on October 27, 2009 by the SAT, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiaries in China, or if our Hong Kong subsidiaries are 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 SAT, issued a circular, or SAT Circular 82, and as amended on January 29, 2014, 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 and as amended on April 17, 2015, 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 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 enjoyed a five-year tax holiday from 2007 to 2011 and was eligible to enjoy a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax. In addition, BBII was also designated as “High and New Technology Enterprise” under the EIT Law in December 2008. Therefore, the income tax rate applicable for BBII was 7.5% for the years ended 2009, 2010 and 2011. Historically, BBII successfully renewed its “High and New Technology Enterprise” status every three years and enjoyed a preferential income tax rate of 15% for the year ended December 31, 2017. Pursuant to the latest renewal in December 2017, BBII will enjoy a preferential income tax rate of 15% for another three years ended December 31, 2020.

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. In December 2016, Bit EP was designated as “High and New Technology Enterprise” under the EIT law and would enjoy a preferential income tax rate of 15% from 2017 to 2019.

In December 2013, Target Net (Beijing) Technology Company Limited, or Target Net, was qualified as a “High and New Technology Enterprise” under the EIT law and successfully renewed this status for another three years in December 2016. Pursuant to the renew, Target Net would enjoy a preferential income tax rate of 15% for the years ended December 31, 2016, 2017 and 2018.

In December 2014, Bitauto (Xi’an) Information Technology Co., Ltd. or Bitauto Xi’an, was qualified as a “software enterprise” under the New Software Enterprise Measures and now enjoys 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 Bitauto Xi’an becomes profitable since December 2014.

In May 2017, Shanghai Lanshu Information Technology Co., Ltd. (“Shanghai Lanshu”) was accredited 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, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

In accordance with relevant PRC laws and regulations, Xinjiang Yin’an Information Technology Co., Ltd. (“Xinjiang Yin’an”) is exempt from EIT for four years, commencing from January 1, 2017 to December 31, 2020.

If BBII, Bit EP, Target Net, Bitauto Xi’an, Shanghai Lanshu or Xinjiang Yin’an fails to maintain its qualification, their applicable EIT rates 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.

The PRC tax authorities have enhanced their scrutiny over the non-resident enterprise’s direct or indirect transfer of equity interests in a PRC resident enterprise by promulgating and implementing the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7, issued by the SAT, on February 3, 2015, which partially replaced and supplemented previous rules under 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.

Public Notice 7 extends its tax jurisdiction to capture not only Indirect Transfer as set forth under Circular 698 but also transactions involving the transfer of real property in China and assets of an establishment or a place in the PRC by a foreign company through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also interprets the term “transfer of the equity interest in a foreign intermediate holding company” broadly. In addition, Public Notice 7 further clarifies certain criteria on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also imposes burdens on both the foreign transferor and the transferee of the indirect transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and whether to file or withhold the PRC tax accordingly. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise.

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

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017 and concurrently abolished Circular 698. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Pursuant to Public Notice 7 and SAT Bulletin 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

The PRC tax authorities have discretion under Public Notice 7 and SAT Bulletin 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under Public Notice 7 and SAT Bulletin 37, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

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

With respect to some of our leased properties, the lessors failed to provide property title certificates proving the title ownership of these lessors. According to PRC laws, rules and regulations, in situations where a landlord lacks evidence of the title or the right to lease, the relevant lease agreement may not be valid or enforceable under PRC laws, rules and regulations, and may also be subject to challenge by third parties. However, we cannot assure you that such defects will be cured in a timely manner or at all. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor. In addition, our 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.

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

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

Failure to comply with PRC regulations regarding the registration requirements for employee 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 subsidiaries of such overseas publicly-listed company, to register with SAFE and complete certain other procedures. In addition, the registration must be amended within three months after the occurrence of any material changes to the underlying plan. As of the date of this annual report, we have adopted four employee share incentive plans, and, except for our 2016 share incentive plans, amended and restated in March 2018, these grantees, through BBII, have registered and updated the registration with SAFE. We have completed registrations of our 2016 share incentive plan with the SAFE and will register the restated and amended 2016 share incentive plan in the near future. Nevertheless, if in the future, we or our PRC grantees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions.

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\$18.04 to US\$54.42 in 2017. 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. Moreover, since our controlled subsidiary, Yixin is listed on the Hong Kong Stock exchange, the volatility of the stock prices on the Hong Kong Stock exchange may further increase the volatility of our ADSs. Furthermore, 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 automobile dealers or auto finance services to car buyers;
- 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;
- adoption of any new accounting policy;
- 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 and proceeds from public offerings will be sufficient to meet our anticipated cash needs for ordinary operation, for at least 12 months. 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 depository 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 depository 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 depository will distribute 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 depository to give a discretionary proxy to a person designated by us if no instructions are received by the depository from you on or before the response date established by the depository and voting takes place at the shareholder meeting by poll. 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 depository that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter may materially and adversely affect the rights of shareholders. In addition, the depository 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 depository 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 depository to vote your ADSs. Furthermore, the depository 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 depository 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 dividends or other distributions if it is unlawful or impracticable to make them available to you.

The depository 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 depository may, determine that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, the depository 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 depository may determine 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 depository. However, the depository 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 depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository 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 have elected 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 Exchange Act);

- have regularly scheduled executive sessions with only non-management directors;
- have a fully independent nominating and corporate governance 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 have elected to follow home country practice with respect to the above. Other than these practices, there have been no significant differences between our corporate governance practices and those followed by U.S. domestic companies under the requirements of NYSE rules, except that during the period from February 16, 2015 to March 4, 2015, our audit committee was comprised of only two members, both of whom were independent directors.

Our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers.

There is a significant risk that we will be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could result in adverse United States federal income tax consequences to U.S. investors in the ADSs or ordinary shares.

For U.S. federal income tax purposes, non-United States corporation, such as our company, will be treated as a passive foreign investment company, or 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 (the “asset test”). Although the law in this regard is unclear, we treat our PRC variable interest entities 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.

Assuming we are the owner of our PRC variable interest entities for U.S. federal income tax purposes, and based on our income, assets, and the market price of our ADSs, we believe that we were a PFIC for the taxable year ending December 31, 2017. In addition, we will very likely be classified as a PFIC for our current taxable year ending December 31, 2018, and for future taxable years.

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. federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such 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 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 Rules.”

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.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

If 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, 2017. Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting was effective as of December 31, 2017. 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 most of our business through our operating subsidiaries and variable interest entities in China.

Our significant subsidiaries include BBII, Shanghai Yixin Financing Lease Company Limited, or Shanghai Yixin, and Xinchu Investment (Shanghai) Co., Ltd., or Xinchu. BBII was established in 2006, and we own 100% of the equity of BBII through our wholly-owned subsidiary, Bitauto Hong Kong Limited, which was incorporated in Hong Kong in April 2010. Shanghai Yixin and Xinchu were established in 2014 and 2015, respectively, and all of these companies are wholly owned subsidiaries of Yixin Group Limited, or Yixin, in which we have a controlling interest, formerly known as Yixin Capital Limited. See “—C. Organizational Structure.”

Our significant subsidiaries and variable interest entities that conduct our business operations in China include the following:

- Beijing C&I Advertising Company Limited, or CIG, which was incorporated in 2002 and provides digital marketing solutions to automakers.
- BBIT, which was incorporated in 2005 and conducts our bitauto.com business that focuses on new automobiles.
- Bit EP, a subsidiary of BBIT, which was incorporated in 2011 and provides our subscription services.
- Beijing Yixin, which was incorporated in 2015 and operates websites such as daikuan.com and taoche.com, including their corresponding mobile apps.

In November 2010, our ADSs began trading on the NYSE with the ticker symbol “BITA”.

In November 2012, AutoTrader Group purchased an aggregate of 9,000,000 ordinary shares from certain of our pre-IPO shareholders and became a shareholder of our company.

In December 2013, we completed a follow-on public offering of 1,264,855 ADSs, each representing one ordinary share, at the public offering price of US\$30.00 per ADS. A selling shareholder also offered and sold 1,484,345 ordinary shares in the form of ADSs.

In February 2015, JD.com invested a combination of US\$400 million in cash and certain resources, including exclusive access to the new and used car channels on JD.com’s e-commerce sites and mobile apps together with additional support from its key platforms, as consideration for our newly issued ordinary shares. Tencent invested US\$150 million in exchange for our newly issued ordinary shares. In addition, JD.com and Tencent invested US\$100 million and US\$150 million, respectively, in newly issued series A preferred shares of Yixin. At the closing of the transactions, we held approximately 50.1% of Yixin on a fully diluted basis and investors including JD.com and Tencent held 46.1% on a fully diluted basis.

In June 2016, each of Tencent, JD.com and Baidu invested US\$50 million in us in exchange for our newly issued ordinary shares. In August 2016, we issued convertible bonds to PA Grand Opportunity Limited and its affiliates, or PAG, in an aggregate principal amount of up to US\$150 million. The convertible bonds are due in five years from the date of issuance and have an interest rate of 2.00% per annum. The initial conversion price is US\$23.67 per ADS. After the closing of both transactions, Tencent, Baidu, JD.com and PAG held 7.1%, 3.2%, 23.5% and 8.2%, respectively, of our outstanding shares on a fully diluted basis taking into effect the new issuance and the conversion of the convertible bonds at the initial conversion price. As of December 31, 2017, PA Grand Opportunity Limited transferred to a third party such number of the convertible bonds as would be convertible into 1,013,941 ordinary shares of the Company.

Between August 2016 and October 2016, Tencent, JD.com, Baidu, together with certain other investors and us, invested in an aggregate amount of US\$550 million in cash in Yixin in exchange for newly issued series B preferred shares of Yixin. At the closing of the transactions, we held approximately 46.9% of Yixin on a fully diluted basis and investors including JD.com, Tencent and Baidu held 47.1% on a fully diluted basis. The financial results of Yixin remained consolidated with our company after the transactions.

In March 2017, Gain Loyal Limited invested in U.S. dollars in the principal amount equivalent to RMB3.03 million in Beijing C&I Advertising Company Limited, or CIG in exchange for newly increased registered capital of CIG. At the closing of the transactions, CIG changed to a Sino-foreign joint venture from a PRC domestic company. In June 2017, BBIT, Bin Li and Weihai Qu entered into a termination agreement with CIG and BBII to terminate all of contractual arrangements among them and transferred all equity interests in CIG held by it to BBII, respectively. In November 2017, BBII together with other eight investors invested in an aggregate amount of RMB600 million in cash in CIG in exchange for newly increased registered capital of CIG. At the closing of the transactions, we held approximately 74.12% of equity interests of CIG through BBII, other four limited partnerships held 10% of equity interests of CIG, and third-party investors held the remaining 15.88% of equity interests of CIG.

On November 16, 2017, Yixin completed initial public offering and listed on the Hong Kong Stock Exchange. Yixin initially offered 878,680,000 of its shares, which represent approximately 14% of Yixin's shares in issue. Pursuant to a voting proxy agreement we entered into with Tencent and JD.com on October 31, 2017, we continue to have control over Yixin, and the financial results of Yixin remain consolidated with our company after Yixin's initial public offering.

Due to certain restrictions under PRC law on foreign ownerships of entities engaged in internet and advertising businesses, we conduct a certain part of our material operations in China through contractual arrangements among our PRC subsidiaries, our variable interest entities in China and the shareholders of these variable interest entities. As a result of these contractual arrangements, we control our variable interest entities and have consolidated the financial information of these variable interest entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. Earnings of these variable interest entities are or will be transferred to our subsidiaries under the currently applicable contractual arrangements. The arrangements include exclusive business cooperation agreements and exclusive option agreements with the variable interest entities, which entitle our PRC subsidiaries to receive a majority of variable interest entities' residual returns. Under the arrangement, the earnings are transferred from our subsidiaries 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 retained earnings as determined in accordance with PRC accounting standards and regulations. Under current PRC laws, regulations and accounting standards, each of our PRC subsidiaries, 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, each of our subsidiaries, 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 Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205 Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th 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 & marketing services and transaction services for China's fast-growing automotive industry. Our bitauto.com website and its corresponding mobile apps provide consumers with comprehensive up-to-date information on automobile pricing and promotional information, specifications, reviews and consumer feedback. Our bitauto.com website was the most visited automotive vertical website in China for new automobile pricing and promotional information in the fourth quarter of 2017, according to iResearch. We also distribute our automobile dealer customers' automobile pricing and promotional information through over 580 internet service provider partners as of December 31, 2017. As a result, our automotive database and content had broad consumer reach to China's internet users.

We managed our businesses in three segments, namely, advertising and subscription business, transaction services business and digital marketing solutions business. Our advertising and subscription business provides a variety of advertising services to automakers through bitauto.com website as well as corresponding mobile apps. The website and mobile apps provide consumers with up-to-date automobile pricing and promotional information, specifications, reviews and consumer feedback. We also provide transaction-focused online advertisements and promotional activities services to our business partners, via Yixin's online platform, for automakers, automobile dealers, auto finance partners and insurance companies. We offer subscription services via the SaaS platform, which provides web-based and mobile-based integrated digital marketing solutions to automobile dealers in China. The platform enables automobile dealer subscribers to create their own online showrooms, list pricing and promotional information, provide automobile dealer contact information, place advertisements and manage customer relationships to help them reach a broad set of purchase-minded customers and effectively market their automobiles to consumers online. Our transaction services business is primarily conducted by Yixin, our controlled subsidiary, a leading online automobile retail transaction platform in China, which provides transaction platform services as well as self-operated financing services. Our digital marketing solutions business provides automakers with one-stop digital marketing solutions, including website creation and maintenance, online public relations, online marketing campaigns, advertising agent services, big data application and digital image creation.

We have established a nationwide customer base of automobile dealers in China. Our paying subscribers for new cars were approximately 27,000 in 2017, compared to approximately 23,700 in 2016. In addition, we have a diverse base of automaker customers, to whom we provide advertising services and digital marketing solutions. Of the approximately 81 major automakers in China, consisting of international and Chinese automobile manufacturers and their joint ventures, 73 placed advertisements on our *bitauto.com* website and corresponding mobile apps in 2017. Our customer base with the combination of individual customers, automakers, automobile dealers, auto finance partners and other aftermarket service providers allows us to cross sell our services, which increases customer loyalty. 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.

Since 2015, we have formed strategic partnership with JD.com, the leading online direct sales company in China and listed on the Nasdaq Global Select Market, Tencent, a leading provider of comprehensive internet services and listed on the Hong Kong Stock Exchange and with Baidu, the leading Chinese language internet search provider. They made investments both in us and in Yixin, formerly known as Yixin Capital Limited, our controlled subsidiary primarily operating our transaction services business. On November 16, 2017, Yixin completed initial public offering and listed on the Hong Kong Stock Exchange. Yixin initially offered 878,680,000 of its shares, which represent approximately 14% of Yixin's shares in issue. See "Item 4. Information on the Company—A. History and Development of the Company" for details regarding investments from JD.com, Tencent and Baidu.

Our revenues were RMB4.25 billion, RMB5.77 billion and RMB8.75 billion (US\$1.35 billion) in 2015, 2016 and 2017, respectively.

Our Services

Our Advertising and Subscription Business

We provide advertising services to automakers and subscription services to automobile dealers through our bitauto.com website and its corresponding mobile apps, as well as offer transaction-focused advertising and subscriptions services, through Yixin, our controlled subsidiary, to automakers, automobile dealers, auto finance partners, and insurance companies.

We display advertisements on our bitauto.com website and its corresponding mobile apps, and allow extensive possibilities of user interactions through rich media advertisements. Because visitors to our websites and applications usually seek specific information relating to automobiles and therefore are more likely to be interested in making automobile purchases, our websites and applications have become an ideal destination for brand advertisements and promotional activities of automakers. 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.

We also provide transaction-focused online advertisements and promotional activities services to our business partners, via Yixin's online platform, for automakers, automobile dealers, auto finance partners and insurance companies. Visitors to Yixin or platform usually seek specific transaction information relating to automobiles and are more likely interested in automobile transactions. As a result, Yixin platform is tailored for transaction-focused online advertisements and promotional activities of our business partner advertisers.

Our subscription business provides web-based and mobile-based integrated digital marketing solutions, via SaaS platform, to automobile dealer customers in China. Such SaaS platform enables automobile dealer subscribers to create their own online showrooms, list pricing and promotional information, provide automobile dealer contact information, place advertisements and manage customer relationships, which help them effectively market their automobiles to consumers.

The standard service modules for new automobile dealer subscribers include the following:

- Dealer Listing Service is provided to our subscribers to help them reach a broad base of purchase-minded consumers. We publish our subscribers' new automobile pricing and promotional information on, and link their online showrooms developed using our Autosite services to, our bitauto.com website and corresponding mobile apps. To further broaden our subscribers' consumer reach, we have entered into arrangements with over 580 partners to become their provider of automobile pricing and promotional information. We automatically feed such information to our partners from our proprietary new automobile database, which is regularly updated and maintained by our automobile dealer customers. We may pay a fixed fee to our major partners for their advertising space.
- Autosite enables our 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 service 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 automobile dealer customers. We also register and maintain independent internet domain names for Autosite users.
- Virtual Call Center provides a toll-free number to each automobile dealer for consumer inquiries. Each toll-free number has a virtual voicemail in the SaaS platform. Over 26 million call minutes were logged in 2017.
- Auto Mini Store is an efficient marketing tool, which, with the support of the smart technology, directly connects the sales persons or consultants at automobile dealer stores with potential car buyers.

Our Transaction Services Business

Our transaction services business is primarily conducted by Yixin, our controlled subsidiary, a leading online automobile retail transaction platform in China, which provides transaction platform services as well as self-operated financing services.

- *Transaction platform business.* Our transaction platform business is comprised of facilitation and value-added services which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or automobile dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, and (c) value-added services, where we primarily generate revenues from automobile dealers for sales of vehicle telematics systems.
- *Self-operated financing business.* Our self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, (ii) operating lease services, whereby we primarily generate rental revenues from consumers, and (iii) others, whereby we primarily generate revenues from sales of automobiles to automobile dealers.

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. 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 creation 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 third-party 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 third-party websites, which is an important source of revenues for us."

Our Database

Our database is the source of information for our websites and applications and the automobile pricing, promotional and automobile dealer business information on our partners' 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 services as well as for future expansions. Given the significant amount of time, resources and nationwide network of automobile 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 (i) content designed for automobile consumers; (ii) automobile dealers' business and contact information; (iii) automobile pricings and promotional information and (iv) financial products and solutions for the car buyers and our financial partners. As of December 31, 2017, our database contained:

- Business and contact information of over 27,500 new automobile dealers;

- Approximately 32 million listings of new automobile pricing and promotional information and 68 million automobile news pieces; and
- Automobile model database featuring a wide collection of global car models.

We collect data from multiple sources. Detailed automobile dealer business information is collected and maintained by our sales and service representatives network located in over 200 cities across China, as of December 31, 2017, or by our automobile dealer customers directly. Automobile pricing and promotional information is maintained and regularly updated by automobile dealers through subscription on our bitauto.com website and its corresponding mobile apps, and generally reflects the automobile dealers' latest price. Specifications and features of each automobile model are collected by our editing team from automakers and automobile 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 dealer customers.

Product Development

Our internet services are supported and enhanced by a team of more than 1,500 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 recent years, we strengthened various functions of our transaction services with the support by our technological developments. For example, at the end of 2017, we officially launched a brand new upgraded "Easy Partner" to make better direct connection between dealers' sales representatives and car buyers, help automobile dealers to conduct more effective marketing and distribution by taking advantage of mobile internet, social networking, big data, and AI technologies, as well as to improve car buyers' experience by delivering quality services to them and further improve conversion rates. We utilize our big data and customer profiles to provide our advertising customers with accurate advertising products for each consumer. We also launched Bitauto Index 2.0, which provides marketing and sales analysis based on big data. Additionally, we also launched intelligent shopping guide, Elita. Leveraging on the most comprehensive knowledge base in the auto field and integrating our existing resources, Elita is designed to help car buyers select and purchase cars and provide intelligent services for the complete life cycle of our users. Yixin continued to design and develop more innovative products and services enriching consumers' choices. Its personal contract purchase service line named Kaizouba, launched in February 2017, primarily targeting young consumers who have good job prospects and earning potential with an opportunity to own and drive cars home earlier. We spent approximately RMB312.1 million, RMB457.4 million and RMB565.7 million (US\$86.9 million) on product development in 2015, 2016 and 2017, respectively. These expenditures represented 7.3%, 7.9% and 6.5% of our total revenues in 2015, 2016 and 2017.

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 services and convey the advantages of using our bitauto.com website and its corresponding mobile apps as marketing channels. To help our customers explore the potential synergies between their sales and marketing initiatives, we coordinated their respective selling and branding activities, which in turn improve the efficiency of our internet marketing solutions and increase our customers' satisfaction and their loyalty toward our services. Our sales and customer support team provide dedicated offline assistance to potential car buyers in terms of transaction services, primarily consisting of transaction platform and self-operated financing services, which helps to facilitate the completion of transactions. Meanwhile, through Yixin's platform, we also partnership with automobile dealership stores to reach out to customers, including the experience stores, which are independently owned and operated by third parties. We have been deploying training and other quality control resources to ensure its automobile dealer cooperative network maintains a satisfactory level of consumer experience.

We believe our brand names are well recognized throughout China's automotive industry and our relationships with our partners are well established within the industry.

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

- We sponsored the Formula Student China events first in 2010 along with the Society of Automotive Engineers of China. In 2015, we agreed to further sponsor this event for another five years with a total commitment of RMB15 million. In 2017, we sponsored four colleges to participate and complete the competitions;
- We organized the China Automotive Industry Forum and 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 organized automobile dealer forums in order to strengthen our relationship with automobile dealer customers;
- We organized regional marketing forums in order to learn and access successful marketing strategy from different fields that linked with automotive industry;
- 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, Shanghai, Guangzhou and Chengdu, and have been one of the most popular and most active participants among China's automotive vertical websites at many exhibitions.
- 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 events of similar kind in China's automotive industry;
- We organize and host the annual Night of Auto People event, which is one of the most prominent events in China's automobile industry, since 2012.
- We contributed to a charity fund in cooperation with Soong Ching Ling Foundation in 2013 and agreed to contribute an aggregate of RMB5.0 million from 2013 to 2018. The fund is devoted to care for people working in the automobile industry and support talent development.
- We won the "2017 China Internet Charity Award" and "outstanding case Award of CSR" issued by Internet Society of China;
- We organized and hosted the International Classic Car Show China and Bitauto music carnival at Wukesong Hi-park, aiming at creating a young, fashion and creative brand image, and making Bitauto a highly recognized name.

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

Customers

Our customers consist primarily of automakers, automobile dealers, consumers, auto finance partners and insurance companies.

We have more automobile dealer customers than automaker customers because dealerships tend to be more geographically dispersed and smaller in size as compared to automakers. No single automobile 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 2015, 2016 and 2017, revenues from the top three automaker customers in each period accounted for approximately 12.0%, 6.5% and 7.4% respectively, of our total revenues.

The following summary illustrates the customers of our three business segments.

Advertising and subscription business customers. We have a broad base of advertising customers and subscribers. The combination of a large purchase-minded visitor base and comprehensive automotive content has attracted most of China's major automakers to place advertisements on our websites and mobile apps. Of the approximately 81 automakers in China, consisting of international and Chinese automobile manufacturers and their joint ventures, 73 placed advertisements on our bitauto.com website and corresponding mobile apps in 2017. We consider each joint venture between Chinese and international automotive manufacturers as a unique automaker because each joint venture operates in China independently from their overseas investors and because those joint ventures typically have their own separate advertising budgets. We therefore treat such joint venture as a different advertising business customer than their investors. We have established a large customer base for our subscription business. We had approximately 27,000 paying new car dealer subscribers in 2017. We enter into a service agreement with each subscriber, the terms of which generally range from several months to one year. The agreement has no renewal provision or provision for subscribers to terminate the agreement without cause. Under these service agreements, we have the right to require customers to revise their information to be published through our SaaS platform if the information violates applicable laws. Each customer is obligated to ensure the legitimacy, timeliness and accuracy of its listing and promotional information, and is liable to any consumers who incur losses resulting from the subscriber's failure to provide such updated and accurate information. With regard to advertising and subscription services provided by Yixin, we provide advertising services to automakers, automobile dealers, auto finance partners, and insurance companies on our platform, promotional services to automobile dealers, and subscription services to the subscribers of our membership services.

Transaction services business customers. Yixin, our controlled subsidiary, operates our transaction platform business which is comprised of (i) facilitation and value-added services which include (a) transaction facilitation services which we serve both consumers and automobile dealers on our platform, (b) loan facilitation services, under which both consumer borrowers and banks extending auto loans may be our customers, and (c) value-added services, where we primarily sell vehicle telematics systems to automobile dealers, and (ii) self-operated financing services, where we primarily provide individual customers with auto finance solutions through financing lease and operating leases.

Digital marketing solutions business 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 2016, our digital marketing solutions business had 60 automaker customers, and 58 of those are our remained customers in 2017. As of December 31, 2017, the number of our automaker customers increased to 78. On behalf of these automaker customers, we placed RMB2.64 billion (US\$406.0 million) of online automotive advertisements in 2017, including those placed on our own websites.

Competition

We face competition in each line of our services:

- Our advertising and subscription 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 autohome.com.cn and pauto.com.cn, the automotive channels of major internet portals, internet video sites, social media and networking websites and emerging new media on mobile end such as news reader applications, social media applications and rider-sharing applications, as well as traditional forms of media. 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. Our subscription services face competitions from China's automotive vertical websites, such as autohome.com.cn and pauto.com.cn in terms of automobile listing, timeliness and accuracy of automobile pricing and promotional information and website traffic. We also compete with online auto information platforms that provide automobile and auto-related content, and offer advertising and subscription services. Moreover, we also face competition from traditional auto finance companies.

- Our online automobile transaction retail services face competition from online automobile transaction platforms that connect consumers with various players across the industry value chain, to facilitate automobile and auto-related transactions and provide financing services.
- 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 Aegis Network and WPP as well as local agencies that specialize in providing online marketing services, including ALLYes Online Media, Hylink Advertising, Tensyn and iForce. 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 information service business is listed under the second category of the value-added telecommunications business.

Regulations on Internet Information Services

BBIT operates www.bitauto.com and other websites, and Beijing Yixin operates www.daikuan.com and www.taoche.com 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 an ICP license. BBIT holds an ICP license issued by Beijing Telecommunications Administration Department, effective until February 25, 2021, which permits BBIT to carry out commercial internet information services using the above-mentioned domain names. Beijing Yixin has obtained an ICP license for the provision of information services through the internet, which remains valid until September 2020.

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: (i) gains improper entry into a computer or system of strategic importance; (ii) disseminates politically disruptive information; (iii) leaks state secrets; (iv) spreads false commercial information; or (v) 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.

On August 1, 2016, the SIIO promulgated the Administrative Provisions on Mobile Internet Application Information Services, or the Mobile Application Administrative Provisions to further strengthen the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. Furthermore, in December 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which require, among others, that mobile phone manufacturers and internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law, which became effective on June 1, 2017. In accordance with the Cyber Security Law, network operators are obligated to safeguard security of the network in conducting business and providing services. Network service providers must use technology or take other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. In accordance with the Cyber Security Law, network operators must not collect personal information irrelevant to their services. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner. If any user knows that a network operator illegally collects and uses his or her personal information in violation of laws, regulations or any agreement with the user, or the collected and stored personal information is inaccurate or wrong, the user has the right to request the network operator to delete or correct the relevant collected personal information.

In addition, the Standing Committee of the National People's Congress promulgated Anti-Terrorism Law of China on December 27, 2015, which took effect on January 1, 2016. According to the Anti-Terrorism Law, telecommunication service operators or internet service providers shall (i) carry out pertinent anti-terrorism publicity and education to society; (ii) provide technical interfaces, decryption and other technical support and assistance for the competent departments to prevent and investigate terrorist activities; (iii) implement network security, information monitoring systems as well as safety and technical prevention measures to avoid the dissemination of terrorism information, delete the terrorism information, immediately halt its dissemination, keep relevant records and report to the competent departments once the terrorism information is discovered; and (iv) examine customer identities before providing services. Any violation of the Anti-Terrorism Law may result in severe penalties, including substantial fines.

BBIT, Beijing Yixin and some other entities in our group are ICP operators, and are therefore subject to the regulations relating to information security. They have taken measures to comply with these regulations. They are registered with the relevant government authority in accordance with the mandatory registration requirement.

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 including 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 was amended in an amendment in December 2017. 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 expire on April 21, 2019. Although we do not foresee difficulty in successfully completing such renewal, in the event we fail to renew this license, our ability to provide internet cultural services may be affected. In addition, we will continue to operate our business pending the completion of the renewal process and if we are deemed to have violated relevant laws and regulations for this gap period operation, we may face fines and other governmental actions as a result.

Regulations on Internet Publishing

On February 4, 2016, the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT, and the Ministry of Industry and Information Technology jointly issued the Administrative Provisions on Internet Publishing Services, or the Internet Publishing Regulations, which took effect on March 10, 2016 and replaced the Interim Provisions for the Administration of Internet Publishing promulgated in 2002. The Internet Publishing Regulations authorize the SAPPRFT, to administer, and grant approval to, all entities that engage in internet publishing, and Ministry of Industry and Information Technology, as authority in charge of internet industry, to implement corresponding supervision and administration for internet publishing business. Pursuant to the Internet Publishing Regulations, the term “internet publishing service” means the provision of online publications to the public via information network; the term “online publications” means the digital works with editing, production, processing and other publishing features, provided to the public via information network, which mainly includes: (i) informative, thoughtful text, pictures, maps, games, animation, audio and video digitizing books and other original digital works within literature, art, science and other fields; (ii) the digital works consistent with the content of published books, newspapers, periodicals, audio-visual products and electronic publications; (iii) the network documentation database or other digital works formed through aforementioned works by selecting, organizing, collecting and other means; and (iv) other types of digital works identified by SAPPRFT.

The Internet Publishing Regulations regulate internet publishing business and content of the internet publications in China. Entities engaged in internet publishing business must be subject to annual inspection and only carry out such business within the approved scope. Entities engaged in internet publishing business are not allowed to lend, lease, sell or transfer its internet publishing permit, including allowing other internet information service providers to provide internet publishing services using its name. Further, foreign invested entities cannot engage in internet publishing business. As an internet content provider, BBIT releases articles to the internet users on its websites. According to the Internet Publishing Regulations, such acts may be deemed internet publishing. BBIT has obtained an internet publishing permit from SAPPRFT (formerly known as the General Administration of Press and Publication), which will remain effective until December 31, 2021. If we are deemed to be in breach of relevant internet publishing regulations, the PRC regulatory authorities may impose penalties, including warning, fines, confiscation of illegal income, ordering rectification, suspending permit, suspending business, deleting illegal contents, and seizing the related equipment and servers used primarily for such activities.

Regulations on Internet News Information Service

In May 2017, the SIIO issued the Internet News Provision and its implementing rules, all of which became effective on June 1, 2017. Internet news information services refers to editing, publishing and reprinting and the dissemination platform service of internet news through internet websites, mobile apps, forums, blogs, micro-blogs, official accounts, instant message tools, live-streaming and other similar means. Under the Internet News Provision and its implementing rules, if an entity intends to provide internet news information service, it is required to obtain an internet news information service license, and no internet news service providers may take the form of a foreign-invested enterprise, whether a joint venture or a wholly foreign-owned enterprise, and no cooperation between internet news service providers and foreign-invested enterprises is allowed prior to the security evaluation by the SIIO. The SIIO shall be in charge of the supervision and administration of the internet news information services throughout China. The counterparts of the SIIO 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 information services, we will be required to obtain an internet news information 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 information 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 macroeconomics, 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 information regulations, the PRC regulatory authorities may suspend the illegal activities and impose a fine exceeding RMB10,000 but not more than RMB30,000.

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

The State Administration of Radio, Film and Television (currently known as SAPPRFT), 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 and was amended on August 28, 2015. 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 2021.

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, and was amended on August 28, 2015, 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 May 31, 2018.

The PRC government has also promulgated a series of special regulatory measures governing live-streaming services. In November 2016, the SIIO promulgated the Administrative Provisions on Internet Live-streaming Service, which took effect on December 1, 2016. Pursuant to the Administrative Provisions, internet live-streaming service refers to continuous publishing of real-time information to the public on internet by means of video, audio, graphics, text or other forms, and an internet live-streaming service provider refers to an operator of the platform providing internet live-streaming service. In accordance with the administrative provisions, an internet live-streaming service provider must verify and register the identity information of publishers of live-streaming programs and users on its platform, and file the identity information of the publishers with the local governmental authority for record. Any internet live-streaming service provider engaging in news service must obtain internet news information service qualification and operate within the permitted scope of such qualification. In September 2016, the SAPPRFT issued a Circular on Strengthening Administration of Live-streaming Service of Network Audio/Video Programs. Pursuant to the circular, any entity that intends to engage in live audio/video broadcasting of major political, military, economic, social, cultural or sport events or activities, or live audio/video broadcasting of general social or cultural group activities, general sporting events or other organizational events, must obtain the internet audio-video program operating license with a permitted operation scope covering the above business activities. Any entity or individual without qualification is prohibited from broadcasting live audio-radio programs involving news, variety shows, sports, interviews, commentary or other forms of programs through any online live-streaming platform or online live broadcasting booth, nor are they permitted to start a live broadcasting channel for any audio or radio programs. In addition, no entity or individual other than licensed radio stations or television stations are allowed to use “radio station,” “television station,” “broadcasting station,” “TV” or other descriptive terms exclusive to television and radio broadcasting organizations to engage in any business on the internet without approval.

Regulations on Internet Mapping Services

According to the Administrative Rules of Surveying Qualification Certificate, as amended by the National Administration of Surveying, Mapping and Geo-information (formerly known as the State Bureau of Surveying and Mapping) in August 2014, the provision of internet map services by any non-surveying and mapping enterprise is subject to the approval of the National Administration of Surveying, Mapping and Geo-information and requires a Surveying and Mapping Qualification Certificate. Internet maps refer to maps called or transmitted through the internet. Pursuant to the Notice on Further Strengthening the Administration of Internet Map Services Qualification issued by the National Administration of Surveying, Mapping and Geo-information in December 2011, any entity without a Surveying and Mapping Qualification Certificate for internet map services is prohibited from providing any internet map services. 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. According to the Provisions on the Administration of Examination of Maps effective on January 1, 2018, the operator of an approved internet map is required to file the updated contents of the map with the relevant regulatory authority semi-annually, and re-apply for a new approval of the map when the two-year term of the existing approval expires. 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 on November 11, 2015, effective until December 31, 2019.

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. However, the MIIT released an announcement in June 2015 to remove the restriction on foreign equity for “online data processing and transaction processing businesses” as provided in the Catalog of Telecommunication Businesses promulgated by the MIIT. The Guidance Catalog of Industries for Foreign Investment, as amended in 2017, allows a foreign investor to own more than 50% of the total equity interest in an e-commerce 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 a certain part of our material businesses in China through our variable interest entities in China, which among others, include BBIT and Beijing Yixin. BBII has contractual arrangements with BBIT and its shareholders. Beijing KKC, has contractual arrangements with Beijing Yixin and its 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 has submitted registration applications for the trademarks used for its internet information services on its websites, but has not received approval for all its applications. Some of BBIT's registration applications are still under review. Beijing Yixin holds an ICP license issued by Beijing Communications Administration Bureau, which is a type of value-added telecommunications licenses, to conduct internet information services and currently owns, or otherwise has the legal right to use, all the domain names and trademarks used for its internet information services 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 our variable interest entities 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.

Regulations of Advertising Content

The PRC government regulates the content of advertisements through Advertisement Law, as promulgated and recently amended on April 24, 2015 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, pharmaceutical precursor chemicals, as well as drug addiction treatment medicines, medical devices and treatment methods 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, 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 laws and regulations. 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. The use of internet to distribute advertisements cannot affect the normal use of the internet by users. Particularly, advertisements distributed on internet pages such as pop-up advertisements must be indicated with conspicuous mark for close to ensure the close of such advertisements by one click. Where internet information service providers know or should know that illegal advertisements are distributed using their services, they must prevent such advertisements from being distributed.

In addition to the above regulations, the Internet Advertising Measures for Internet Advertisements promulgated by the SAIC in July 2016 also sets forth certain compliance requirements for online advertising businesses. For example, advertising operators and distributors of internet advertisement must examine, verify and record identity information, such as name, address and contact information, of advertisers, and maintain an updated verification record on a regular basis. Moreover, advertising operators and distributors must examine supporting documents provided by advertisers and verify the contents of the advertisements before publishing. If the contents of advertisements are inconsistent with the supporting documents, or the supporting documents are incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services. The Internet Advertising Measures also prohibits the following activities: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements or adding or uploading advertisements without authorization; and (iii) harming the interests of a third party by using fake statistics or traffic data.

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

Regulations on Financial Leasing

The PRC government regulates the financial leasing enterprises through Administrative Measures of Supervision on Financial Leasing Enterprises, or Circular 337, promulgated on September 18, 2013 and other similar laws and regulations in China. Circular 337 permits financial leasing enterprises to carry out financial leasing business in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease in accordance with the provisions of relevant laws, regulations and rules. However, Circular 337 prohibits financial leasing enterprises from engaging in such financial business as attracting deposits, issuing loans and granting loans on entrustment. Without the approval from relevant authorities, financial leasing enterprises shall not engage in inter-bank borrowing and other business. In addition, financial leasing enterprises are prohibited from carrying out illegal fund-raising activities in the name of financial leasing. Circular 337 requires financial leasing enterprises to establish and improve their financial and internal risk control systems, and each financial leasing enterprise's risk assets shall not exceed ten times of their total net assets. Risk assets generally refers to the adjusted total assets of a financial leasing enterprise excluding cash, bank deposits, sovereign bonds and entrusted leased assets. Our business operations are in compliance with these regulations.

Regulations on Internet Insurance

In July 2015, the China Insurance Regulatory Commission, or CIRC, issued Interim Measures for the Regulation of Internet Insurance Business (the "Internet Insurance Interim Measures"), pursuant to which no institutions or individuals other than insurance institutions, which refer to insurance companies, insurance agency companies, insurance brokerage companies and other qualified insurance intermediaries, may engage in the internet insurance business. Under the Internet Insurance Interim Measures, insurance institutions are allowed to conduct internet insurance business through both self-operated online platforms and third-party online platforms. Self-operated online platforms refer to online platforms set up by insurance institutions. Third-party online platforms refer to online platforms providing network supporting services for internet insurance business activities of insurance consumers and insurance institutions, but excluding self-operated online platforms. Third-party online platforms which are not insurance institutions are only allowed to provide network supporting services, and shall not provide any internet insurance business such as sales, underwriting, settlement of claims, cancellation of insurance, complaints handling and customer services. The third-party online platforms are required to meet certain conditions, including obtaining relevant value-added telecommunication licenses or completing internet content provider filings, as applicable, and having network access within the territory of the PRC. Insurance institutions are prohibited from cooperating with third-party online platforms that do not meet those conditions. In addition, the premiums paid by insurance customers are required to be directly transferred to the special account for premium income of the insurance institutions, and the third-party online platform is not allowed to collect premiums on behalf of the insurance institutions. The online platforms shall accurately disclose the information of insurance products required by laws and regulations, and shall not make any false representations, exaggerate previous achievements, illegally promise earnings or undertake to bear losses, or provide other misleading descriptions.

Regulations on Anti-Money Laundering

The PRC Anti-Money Laundering Law, which became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as nonfinancial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-Money Laundering Law, financial institutions subject to the PRC Anti-Money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The People's Bank of China, or the PBOC, and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions. However, the State Council has not promulgated the list of the non-financial institutions with anti-money laundering obligations.

The Guidelines to Promote the Health Growth of the Internet Finance, or the Internet Finance Guidelines, jointly released by ten PRC regulatory agencies in July 2015, purport, among other things, to require internet finance service providers, including online automobile finance platforms to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The PBOC will formulate implementing rules to further specify the anti-money laundering obligations of internet finance service providers.

Regulations on Car Rental Business

As the car rental industry is at an early stage of development in China, regulations governing it continue to evolve. The Ministry of Transport, or the MOT, promulgated the Circular on Promoting the Health Development of Car Rental Industry in April 2011, which sets forth guidelines for the car rental industry and requires local government authorities to promulgate local rules and regulations to improve and develop the regulatory environment of the car rental industry.

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

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

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

Regulation on Used Automobile Brokerage Business

On August 29, 2005, SAIC, the SAT, MOFCOM and the Ministry of Public Security promulgated Administrative Measures for Trade of Used Vehicles, which was amended on September 14, 2017, pursuant to which enterprises engaged in used vehicles brokerage business shall include used vehicles brokerage business within their business scope.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or Circular 37, issued by SAFE and effective in July 2014, regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing and conduct round trip investment in China. Under Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate domestic or offshore assets or interests, and "round trip investment" refers to the direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. Circular 37 requires that, before making contribution into an SPV, PRC residents or entities should complete foreign exchange registration with the SAFE or its local branch. Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch. Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or Circular 75.

PRC residents or entities who have contributed legitimate domestic or offshore interests or assets to SPVs but have yet to obtain SAFE registration before the implementation of Circular 37 must register their ownership interests or control in such SPVs with the SAFE or its local branch. An amendment to the registration is required if there is a material change involving the registered SPV, such as any change of basic information (including change of such PRC residents, change of name and operation term of the SPV), increases or decreases in investment amount, transfers or exchanges of shares or mergers or divisions. Failure to comply with the registration procedures set forth in Circular 37, misrepresentation on or failure to disclose controllers of foreign-invested enterprise that is established through round-trip investment, may result in restrictions on the foreign exchange activities of the relevant foreign-invested enterprises, including payment of dividends and other distributions to its offshore parent company or affiliates and the capital inflow from the offshore parent company, and may also subject the relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations. On February 28, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

We conduct a certain part of our material businesses in China through our variable interest entities in China and their respective shareholders. Prior to our initial public offering in 2010, all ultimate shareholders of our company who we know 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, these shareholders 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 shares from a pre-IPO shareholder. In December 2013, we completed a follow-on public offering of 1,264,855 ADSs, each representing one ordinary share, at the public offering price of US\$30.00 per ADS. A selling shareholder also offered and sold 1,484,345 ordinary shares. The aforesaid management members who are PRC residents and our ultimate shareholders have not amended their existing foreign exchange registration to reflect the change of their shareholding as a result of the aforesaid transactions in accordance with the then-effective foreign exchange registration regulations. As a result of the promulgation of Circular 37, it is uncertain whether our PRC resident shareholders would be required to amend the relevant existing foreign exchange registrations for the aforesaid transactions, which were consummated prior to the promulgation of Circular 37 and did not affect their shareholdings in the First Level SPVs.

We have requested PRC resident shareholders who to our knowledge hold direct or indirect interest in our company to make the necessary applications, filings and amendments as required under Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under Circular 37 or other related rules. See "Item 3. Key Information – D. Risks Factors – Risk Related to Doing Business in China – 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."

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, 2010, 2012 and 2016, our board of directors adopted the 2006 Plan, the 2010 Plan, the 2012 Plan and the 2016 Plan, respectively, pursuant to which, we may issue employee stock options to our qualified employees and directors on a regular basis. In March 2018, we amended and restated the 2016 Plan to increase the award pool under the 2016 Plan. 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 SAT, and its implementing rules provide that domestic companies that implement employee share option programs shall (i) 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; (ii) 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 (iii) withhold taxes from the PRC employees in connection with the PRC individual income tax.

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 SAFE 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 SAFE or its local branch, 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 SAFE or its local branch, unless otherwise provided.

On March 30, 2015, the SAFE promulgated Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using the Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises. Any violation of Circular 19 may result in severe penalties, including substantial fines. If our variable interest entities 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 variable interest entities' 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 retained earnings, 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 retained earnings 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. The EIT was amended on February 24, 2017. 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, and as amended on January 29, 2014. 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, and as amended on April 17, 2015, 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 SAT, 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%. In August 2015, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Circular 60, which became effective on November 1, 2015. Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries, if it satisfies the conditions prescribed under Double the Tax Avoidance Arrangement and other relevant tax rules and regulations. 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 a SAT Circular 9 issued by the SAT in February 2018, which became effective from April 1, 2018 and superseded the Notice on the Comprehension and Recognition of Beneficial Owner in Tax Treaties issued on October 27, 2009 by the SAT, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The Circular 9 further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Circular 60.

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 by promulgating and implementing the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7, issued by the SAT, on February 3, 2015, which partially replaced and supplemented previous rules under the Circular 698. Public Notice 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under Circular 698 but also transactions involving the transfer of real property in China and assets of an establishment or a place in the PRC by a foreign company through the offshore transfer of a foreign intermediate holding company. Public Notice 7 interprets the term “transfer of the equity interest in a foreign intermediate holding company” broadly. In addition, Public Notice 7 further clarifies certain criteria on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also imposes burdens on both the foreign transferor and the transferee of the Indirect Transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and whether to file or withhold the PRC tax accordingly. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the SAT issued the SAT Bulletin 37, which came into effect on December 1, 2017 and concurrently abolished Circular 698. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. SAT Bulletin 37 and Public Notice 7 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 SAT Bulletin 37 and Public Notice 7 and may be required to expend valuable resources to comply with SAT Bulletin 37 and Public Notice 7 or to establish that we should not be taxed under SAT Bulletin 37 or Public Notice 7, which may have a material adverse effect on our financial condition and results of operations.

BBII enjoyed a five-year tax holiday from 2007 to 2011 and was eligible to enjoy a two-year exemption from enterprise income tax followed by a three-year half reduction of enterprise income tax. In addition, BBII was also designated as “High and New Technology Enterprise” under the EIT Law in December 2008. Therefore, the income tax rate applicable for BBII was 7.5% for the years ended 2009, 2010 and 2011. Historically, BBII successfully renewed its “High and New Technology Enterprise” status every three years and enjoyed a preferential income tax rate of 15% for the year ended December 31, 2017. Pursuant to the latest renewal in December 2017, BBII will enjoy a preferential income tax rate of 15% for another three years ended December 31, 2020.

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. In December 2016, Bit EP was designated as “High and New Technology Enterprise” under the EIT law and would enjoy a preferential income tax rate of 15% from 2017 to 2019.

In December 2013, Target Net was qualified as a “High and New Technology Enterprise” under the EIT law and successfully renewed this status for another three years in December 2016. Pursuant to the renew, Target Net would enjoy a preferential income tax rate of 15% for the years ended December 31, 2016, 2017 and 2018.

In December 2014, Bitauto Xi’an was qualified as a “software enterprise” under the New Software Enterprise Measures and now enjoys 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 Bitauto Xi’an becomes profitable since December 2014.

In May 2017, Shanghai Lanshu was accredited 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, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

In accordance with relevant PRC laws and regulations, Xinjiang Yin’an is exempt from EIT for four years, commencing from January 1, 2017 to December 31, 2020.

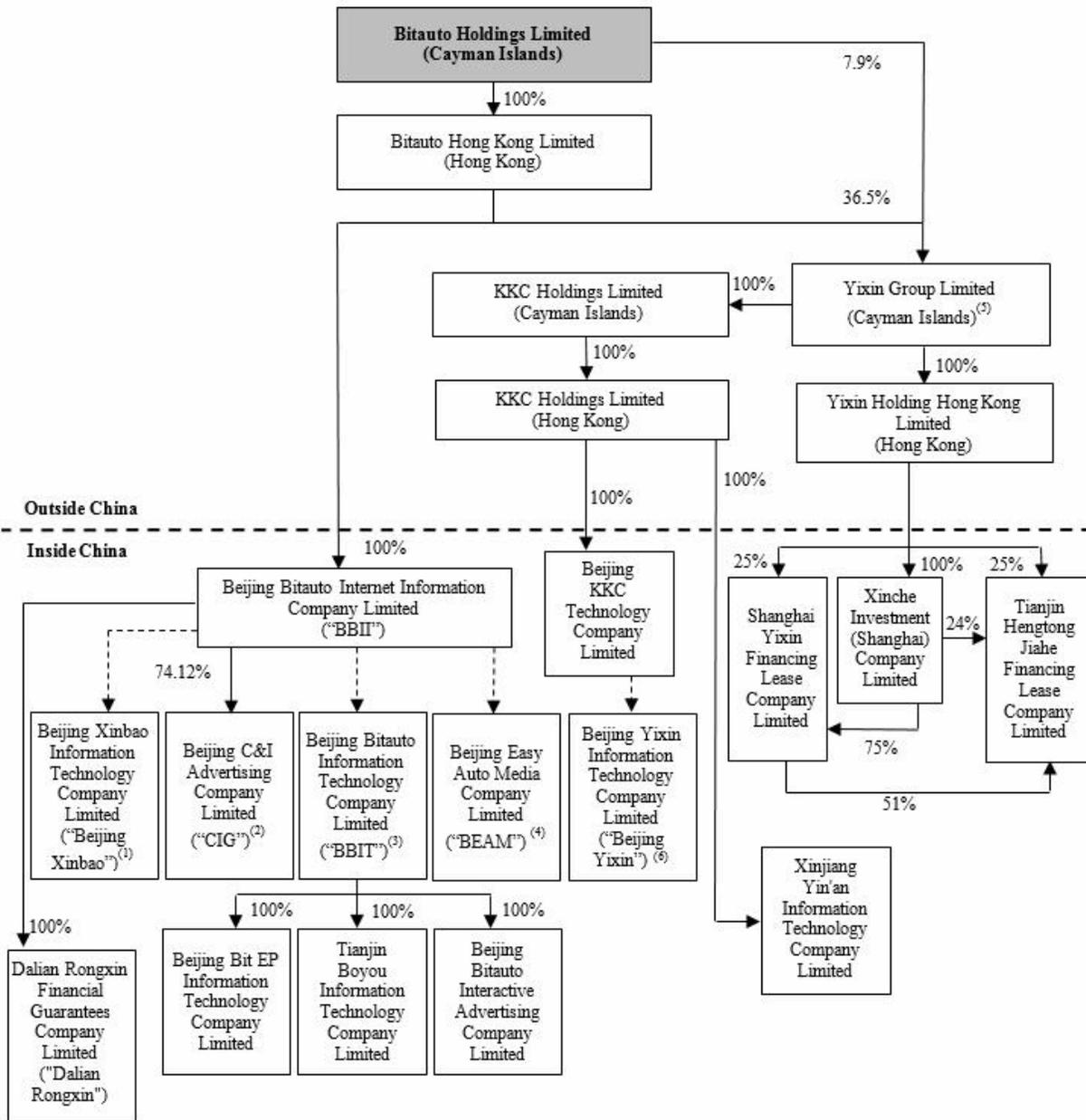
If BBII, Bit EP, Target Net, Bitauto Xi’an, Shanghai Lanshu or Xinjiang Yin’an fails to maintain its qualification, their applicable EIT rates may increase to up to 25%, which could have a material adverse effect on our results of operations.

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

C. Organizational Structure

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



—————> Equity interest
 - - - - -> Contractual arrangements

- 1) Mr. Jinsong Zhu, the co-president of CIG, holds 100% equity interests in Beijing Ximbao.
- 2) BBII holds 74.12% equity interests in CIG. Other four limited partnerships and third-party investors hold the remaining equity interests of 25.88%.
- 3) Bin Li and Weihai Qu hold 80% and 20% equity interests in BBIT, respectively.
- 4) Bin Li and Weihai Qu hold 80% and 20% equity interests in BEAM, respectively.
- 5) We hold 44.4% of the equity interests in Yixin. Each of Tencent, JD.com and Baidu holds 20.90%, 10.90% and 3.02% equity interests in Yixin, respectively. Other third-party investors hold the remaining equity interests.
- 6) Bo Han, Shenzhen Tencent Industry Investment Fund Co., Ltd., and Beijing Jiasheng Investment Management Co., Ltd. hold 55.7%, 26.6% and 17.7% equity interests in Beijing Yixin, respectively.

D. Property, Plants and Equipment

Our headquarters are located in Beijing, China, where we lease office spaces in two office buildings with a combined area of 15,380.58 square meters as of December 31, 2017. We enter separate leases for individual floors, group of rooms or individual rooms in these buildings. Our leases generally have terms from one to five years and may be renewed upon expiration of the lease terms. We generally make monthly rental payments. In addition, we lease office spaces 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 & marketing services, and transaction services for China's fast-growing automotive industry. Since 2016, our businesses were managed in three segments, namely, advertising and subscription business, transaction services business and digital marketing solutions business. We provide a variety of advertising services mainly to automakers through our bitauto.com website and corresponding mobile apps, which provide consumers with up-to-date automobile pricing and promotional information, specifications, reviews and consumer feedback. We also provide transaction-focused online advertisements and promotional activities services to our business partners, via Yixin's online platform, for automakers, automobile dealers, auto finance partners and insurance companies. Our subscription services offer our SaaS platform which provides web-based and mobile-based integrated digital marketing solutions to automobile dealer customers in China. Based on our SaaS platform, automobile dealer subscribers may create their own online showrooms, list pricing and promotional information, provide automobile dealer contact information, place advertisements and manage customer relationships to help them reach a broad set of purchase-minded customers and effectively market their automobiles to consumers online. Since 2014, we started transaction services, currently primarily operated by Yixin, our controlled subsidiary, a leading online automobile retail transaction platform in China, which provides transaction platform services as well as self-operated financing services. Our digital marketing solutions business provides automakers with one-stop digital marketing solutions, including website creation and maintenance, online public relations, online marketing campaigns, advertising agent services, big data application and digital image creation.

The majority of our revenues are from the following sources:

- advertising fees from our bitauto.com website and corresponding mobile apps, together with Yixin's online platform through selling advertisements to our customers;
- subscription fees from new automobile dealer through bitauto.com website and corresponding mobile apps;
- service fees and interest income from our transaction services;
- 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.

Our business has experienced rapid growth in the past few years. As a result, we need to adjust our business segmentation to better present our results of operations. Starting from the first quarter of 2016, we combined the advertising business with our subscription business to form our advertising and subscription business and transaction services business was reported separately under a new business segment. Our businesses are currently managed in three segments, namely, advertising and subscription business, transaction services business and digital marketing solutions business. Revenues were RMB4.25 billion, RMB5.77 billion and RMB8.75 billion (US\$1.35 billion) in 2015, 2016 and 2017, respectively. In 2017, revenues from our advertising and subscription business, transaction services business and digital marketing solutions business accounted for 44.9%, 44.2% and 10.9% of our total revenues, respectively.

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

Market penetration of our advertising and subscription business. Revenues from our advertising business are directly affected by the amount of advertisements placed by our customers on our websites and corresponding mobile apps. The content offerings and the attractiveness of our consumer-facing websites may significantly impact the traffic of automotive consumers to our websites, which in turn would affect automotive advertisers' spending on our websites. Revenues from our subscription services are directly affected by the number of subscribers and the lengths of subscriptions. Our business and results of operations will depend significantly on our ability to grow our customer base and the increase in subscription fees, including expanding our services into new geographic areas and providing additional services to our existing customers. Finally, we believe our automotive content's broad consumer reach achieved through our own automotive vertical websites and corresponding apps and our partners' is also a factor considered by our automotive customers when choosing our advertising and subscription services.

Development of our transaction services business. Revenues from our transaction services business are primarily affected by the number of transactions we facilitate and service fees and interest income we may charge. Since the businesses are relatively new in China and we are still exploring the best approaches to grow these businesses, we may need to invest additional resources to develop and market our new services. Our ability to expand our customer base, to manage our growth and risk as we expand our business lines to offer more services and products, and to price competitively will have an impact on the outcome of our transaction services business development. Additionally, we make provisions for impairment losses on finance receivables in accordance with U.S. GAAP and the impairment require significant judgment and estimation. Since we have limited experience in the self-operated financing business, we might in the future adjust our provisioning judgment or policies as we gain more experience in this business, which could in turn lead to additional provisions for our receivables and affect our business, financial condition and results of operations.

Expansion of customer base for our digital marketing solutions business. We have a limited number of automaker customers for our digital marketing solutions business. 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

In 2017, we generated total revenues of RMB8.75 billion (US\$1.35 billion). 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 for the periods presented.

	For the Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US\$	
	(In thousands, except percentages)						
Advertising and subscription business*	3,106,025	73.0	3,432,986	59.4	3,922,158	602,825	44.9
Transaction services business*	664,225	15.6	1,551,676	26.9	3,872,244	595,153	44.2
Digital marketing solutions business	483,945	11.4	788,286	13.7	956,857	147,066	10.9
Total revenues	4,254,195	100.0	5,772,948	100.0	8,751,259	1,345,044	100.0

Notes:

* For the year ended December 31, 2015, we managed our business in three segments, namely advertising business, EP platform business and digital marketing solutions business. From 2016, we combined the advertising business with our subscription business to form our advertising and subscription business segment and transaction services business was reported separately under a new business segment. As a result of the above changes in segment structure, the comparative figures of segment information for the year ended December 31, 2015 were revised accordingly.

Our advertising and subscription business

Revenues from our advertising and subscription business accounted for 73.0%, 59.4% and 44.9% of our total revenues in 2015, 2016 and 2017, respectively. We generate revenues through our websites and mobile apps by providing advertising services to automakers and subscription services to our automobile dealer customers. We generate most of our advertising revenues through selling advertisements to automakers. We provide text-based, banner, video and rich media advertisements on our bitauto.com website and corresponding mobile apps. Of the approximately 81 automakers in China and their joint ventures (consisting of international and Chinese automobile manufacturers with annual sales volume of 24 million passenger automobiles), 73 placed advertisements on our bitauto.com website and corresponding mobile apps in 2017. Meanwhile, we also provide transaction-focused online advertisements and promotional activities services to our business partners, via Yixin's online platform, for automakers, automobile dealers, auto finance partners, and insurance companies. We generate revenues from subscription fees paid by our automobile deal customers for the subscription of our SaaS platform, which provide web-based and mobile-based integrated digital marketing solutions to automobile dealer customers in China.

Our transaction services business

Revenues from our transaction services business which is primarily operated by Yixin, accounted for 15.6%, 26.9% and 44.2% of our total revenues in 2015, 2016 and 2017, respectively. We derive our revenues from several types of services, including (i) transaction platform business which includes (a) transaction facilitation services, whereby we primarily earn service fees from consumers or automobile dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, and (c) value-added services, where we primarily generate revenues from automobile dealers for sales of vehicle telematics systems; and (ii) self-operated financing business, where we primarily provide consumers with auto finance solutions through financing leases and operating leases.

Our digital marketing solutions business

Revenues from our digital marketing solutions business accounted for 11.4%, 13.7% and 10.9% of our total revenues in 2015, 2016 and 2017, 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, advertising agent services, big data application and digital image creation. 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 advertising and subscription business mainly includes fees paid to our business partners to distribute our automobile dealer customers' pricing and promotional information, direct service cost and turnover taxes and related surcharges. Cost of revenues for our transaction services business mainly includes funding cost, cost of automobiles sold and vehicle telematics devices sold, turnover taxes and related surcharges. Cost of revenues for our digital marketing solutions business mainly includes direct service cost and turnover taxes and related surcharges.

The following table sets forth our cost of revenues 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,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US\$	
	(In thousands, except percentages)						
Total revenues	4,254,195	100.0	5,772,948	100.0	8,751,259	1,345,044	100.0
Cost of revenues:							
Advertising and subscription business	761,153	17.9	890,452	15.4	845,826	130,000	9.7
Transaction services business	426,640	10.0	883,438	15.3	1,969,630	302,727	22.5
Digital marketing solutions business	262,951	6.2	304,089	5.3	419,224	64,434	4.8
Total cost of revenues	1,450,744	34.1	2,077,979	36.0	3,234,680	497,161	37.0

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;
- sales and marketing expenses we incurred to promote our brand image through marketing activities consisting of (1) mobile-end promotions, such as promoting our mobile apps at different app stores, as well as cooperating with search engines and navigation sites on mobile sites; (2) offline events, such as automotive exhibitions and industry forums and to a less extent (3) PC-end marketing, such as cooperating with search engines and navigation sites;
- office expenses for our daily operations, traveling and communication expenses and professional service fees;
- operating lease expenses for our office space in various cities;
- share-based compensation expenses mainly arising from our share incentive plans;
- allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables;
- depreciation and amortization;
- write-down of assets;
- leasing related expenses for financing lease and operating lease services including collection agency fees and credit enquiry fees; and
- others that include training fees and delivery costs.

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

	For the Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	RMB	US\$	
	(In thousands, except percentages)						
Total revenues	4,254,195	100.0	5,772,948	100.0	8,751,259	1,345,044	100.0
Selling and administrative expenses:							
Salaries and benefits	590,576	13.9	972,124	16.8	1,374,737	211,293	15.7
Sales and marketing expenses	1,341,347	31.5	1,296,765	22.5	1,966,422	302,234	22.5
Office expenses	64,074	1.5	96,714	1.7	236,721	36,383	2.7
Operating lease expenses	75,176	1.8	94,751	1.6	107,519	16,525	1.2
Share-based compensation expenses	120,045	2.8	76,981	1.3	1,167,655	179,465	13.3
Allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables	8,931	0.2	102,651	1.8	349,185	53,669	4.0
Depreciation and amortization	493,424	11.6	662,498	11.5	716,919	110,188	8.2
Write-down of assets	280,591	6.6	—	—	—	—	—

Leasing related expenses	—	—	60,378	1.0	103,948	15,977	1.2
Others	39,833	0.9	54,949	1.0	35,940	5,524	0.4
Total selling and administrative expenses	<u>3,013,997</u>	<u>70.8</u>	<u>3,417,811</u>	<u>59.2</u>	<u>6,059,046</u>	<u>931,258</u>	<u>69.2</u>

Product Development Expenses

Our product development expenses mainly include the salaries and benefits for our product development employees. Our product development expenses were RMB312.1 million, RMB457.4 million, and RMB565.7 million (US\$86.9 million) in 2015, 2016 and 2017, respectively, representing 7.3%, 7.9% and 6.5% of our total revenues in the respective periods.

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 subsidiaries in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and there is no withholding tax in Hong Kong on remittance of dividends.

PRC

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 subsidiaries, controlling equity interests in our subsidiaries in the PRC. Our business operations are principally conducted through our PRC subsidiaries and its variable interest entities 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 company 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 subsidiaries own controlling interests of our PRC subsidiaries, under the aforesaid arrangement, any dividends that our PRC subsidiaries pay our Hong Kong subsidiaries may be subject to a withholding tax at the rate of 5% if our Hong Kong subsidiaries are not considered to be PRC tax resident enterprises as described below and are determined by the competent PRC tax authority to have satisfied relevant conditions and requirements. However, if our Hong Kong subsidiaries are not considered to be the beneficial owners of such dividends under the Circular 9 issued by the SAT in February 2018 or are 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%. In addition, part of our PRC companies, including BBII, Bit EP, Target Net, Bitauto Xi’an, Shanghai Lanshu and Xinjiang Yin’an, enjoy certain preferential tax treatments in accordance with relevant PRC laws and regulations. If such PRC companies fail to maintain its respective qualification under the relevant PRC laws and regulations, their applicable EIT rates may increase to up to 25%, which could have a material adverse effect on our results of operations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

The implementation rules of the EIT 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 subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders or ADS holders.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— 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.”

In November 2011, the PRC Ministry of Finance and the SAT 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 provinces, including Beijing, Tianjin, Zhejiang Province (including Ningbo), Anhui Province, Guangdong Province (including Shenzhen), Fujian Province (including Xiamen), Hubei Province and Jiangsu province in 2012. The VAT Pilot Program has been rolled out to the whole country since August 1, 2013. In May 2016, the VAT Pilot Program was extended to cover additional industry sectors, such as construction, real estate, finance and consumer services.

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 have been subject to a 6% or 17% value-added tax since the respective effective time of the VAT Pilot Program 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 4. Information on the Company—B. Business Overview—Regulation—PRC Enterprise Income Tax Law” and “Item 10. Additional Information—E. Taxation.”

Foreign Currency Exchange Difference

Our presentation currency is Renminbi. The functional currencies of our holding company, Bitauto Holdings Limited, and our subsidiaries outside of China are the U.S. dollar and the Hong Kong dollar, while the functional currency of our PRC subsidiaries and variable interest entities is the Renminbi. We recognize exchange differences arising on the currency translation in other comprehensive income when we consolidate our oversea subsidiaries, PRC subsidiaries and variable interest entities and translate our consolidated financial statements into Renminbi.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with U.S. GAAP, 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. Beginning from the first quarter of 2016, we changed our basis of accounting from IFRS to U.S. GAAP.

Principles of consolidation

We consolidate our subsidiaries, the variable interest entities and subsidiaries of variable interest entities of which we are the ultimate primary beneficiary.

A subsidiary is an entity in which (i) we directly or indirectly control more than 50% of the voting power; or (ii) we have the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies.

A variable interest entity is an entity in which our company, or our subsidiaries, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore our company or our subsidiaries are the primary beneficiary of the entity.

All transactions and balances among our company, our subsidiaries, the variable interest entities and subsidiaries of variable interest entities have been eliminated upon consolidation. The results of subsidiaries, the variable interest entities and subsidiaries of variable interest entities acquired or disposed of during the year are recorded in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations and noncontrolling interests

We account for our business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805 “Business Combinations”. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statements of comprehensive income. During the measurement period, which can be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive income.

In a business combination considered as a step acquisition, we remeasure the previously held equity interest in the acquiree immediately before obtaining control at the acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of comprehensive income.

For our majority-owned subsidiaries, variable interest entities and subsidiaries of variable interest entities, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to our company. Noncontrolling interests are classified as a separate line item in the equity section of our consolidated balance sheets and have been separately disclosed in our consolidated statements of comprehensive income to distinguish the interests from that of our company.

Revenue recognition

Revenue principally represents advertising and subscription services revenue, transaction services revenue and agent services revenue. Consistent with the criteria of ASC 605 “Revenue Recognition”, we recognize revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable. We assess our revenue arrangements against specific criteria in order to determine if we are acting as principal or agent. Value-added tax (“VAT”) is included in revenue.

Revenue arrangements with multiple deliverables are divided into separate units of accounting. The arrangement consideration is allocated at the inception of the arrangement to each element based on their relative fair values for revenue recognition purposes. The consideration is allocated to each element using vendor-specific objective evidence or third-party evidence of the standalone selling price for each deliverable, or if neither type of evidence is available, using management's best estimate of selling price.

Advertising and subscription services

Advertising services. Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured. We also organize promotional events to help customers to promote their products. We recognize revenue from organizing promotional events when the services have been rendered, and the collectability is reasonably assured. Revenues from advertising services are reported at a gross amount.

Subscription services. We provide web-based and mobile-based integrated digital marketing solutions, via SaaS platform, to automobile dealer customers in China. Such SaaS platform enables automobile dealer subscribers to create their own online showrooms, list pricing and promotional information, provide automobile dealer contact information, place advertisements and manage customer relationships, which help them effectively market the automobiles to consumers. The revenue is recognized on a straight-line basis over the subscription or listing period. Revenues from dealer subscription and listing services are reported at a gross amount.

We invoice our customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. We record amounts received prior to revenue recognition in advances from customers, which is included in the other payables and accruals line item in our consolidated balance sheets.

Transaction services

Automobile financing lease and operating lease services. We provide automobile financing lease services to individual customers and automobile dealers through two models: direct financing lease and sales-and-leaseback. In a direct financing lease arrangement, revenue is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the financing leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognized over the lease period using the effective interest rate method. We also provide automobile operating lease services to individual and corporate customers. Revenue from these services is recognized on a straight-line basis over the lease period.

Other transaction services. We recognize revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as we act as the principal, are primarily responsible for the sales arrangements and are subject to inventory risk. Revenue from direct automobile sales is recognized when a sales contract has been executed and the automobiles have been delivered.

We recognize revenue from facilitation and other services when assisting the customers to complete a used automobile purchase transaction or an automobile financing transaction. We recognize sales revenue of vehicle telematics devices upon transfer of the title and associated risks and rewards of the devices to our business partners. We also recognize commission-based fees for the provision of automobile e-commerce services.

Agent services

We receive commissions for assisting customers in placing advertisements on media vendor websites ("advertising agent services"). The net commission revenue from advertising agent services is recognized when the advertisements are published over the stated display period, 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. Revenue is recognized when the amounts of these performance-based rebates are probable and reasonably estimable. We also provide project-based services such as public relations and marketing campaign. Revenue is recognized when the services have been rendered, and the collectability is reasonably assured.

Foreign currencies

Our company, our subsidiaries, variable interest entities and subsidiaries of variable interest entities individually determine our functional currency based on the criteria of ASC 830 “Foreign Currency Matters”. The functional currencies of our company and our subsidiaries outside China are the U.S. dollar (“US\$”) and the Hong Kong dollar (“HKD”), and the functional currency of PRC subsidiaries, variable interest entities and subsidiaries of variable interest entities is the RMB. Since our operations are primarily denominated in the RMB, we have chosen the RMB as the reporting currency for the consolidated financial statements.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from foreign currency transactions are recorded in the consolidated statements of comprehensive income.

The financial statements of the entities with non-RMB functional currencies are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities, average exchange rate for the year for income and expense items, and historical exchange rate for equity items. Translation gains or losses arising from the translation are recognized in accumulated other comprehensive income as a component of shareholders’ equity.

Accounts receivable, net

Accounts receivable are amounts due from customers for services performed or merchandise sold in the ordinary course of business. If collection of accounts receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recorded net of allowance for doubtful accounts. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific evidence indicating troubled collection, such as the accounts aging, financial conditions of the customer and industry trend.

Investment in equity investees

Investment in equity investees represents our investments in privately-held companies. We apply the equity method to account for an equity investment, in common stock or in-substance common stock, according to ASC 323 “Investment - Equity Method and Joint Ventures,” over which we have significant influence but do not own a majority equity interest or otherwise control.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity’s common stock. We consider subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity’s common stock.

For other equity investments that are not considered as debt securities or equity securities that have readily determinable fair values and over which we neither have significant influence nor control through investment in common stock or in-substance common stock, the cost method is used.

Under the equity method, our share of the post-acquisition profits or losses of the equity investee is recognized in the consolidated statements of comprehensive income and our share of post-acquisition movements in accumulated other comprehensive income is recognized in shareholders’ equity. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When our share of losses in the equity investee equals or exceeds our interest in the equity investee, we do not recognize further losses, unless we have incurred obligations or made payments or guarantees on behalf of the equity investee.

Under the cost method, we carry the investment at cost and recognize income to the extent of dividends received from the distribution of the equity investee’s post-acquisition profits.

From time to time, the rights on certain investments in which we have significant influence were modified with new rounds of financing. These modifications may be additions or removals of certain rights. As a result of such modification, these equity investments, which were accounted for using equity method, were reclassified as investments accounted for using cost method, or vice versa. The carrying amount of the investments was remeasured upon the reclassification and a deemed disposal gain or loss was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

We continually review our investments in equity investees to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors we consider in our determination are the length of time that the fair value of the investment is below the carrying value; the financial condition, operating performance and the prospects of the equity investee; and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value, which is reflected in share of results of equity investees and investment income/(loss) in the consolidated statements of comprehensive income.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of December 31, or more frequently if events or changes in circumstances indicate that it might be impaired. We have the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. We will perform the quantitative impairment test if we bypass the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets, liabilities and goodwill to reporting units, and determining the fair value of each reporting unit.

Intangible assets, net

Intangible assets are stated at cost less accumulated amortization and impairment if any. Intangible assets acquired in a business combination are recognized initially at fair value at the date of acquisition. Intangible assets with an indefinite useful life are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with ASC subtopic 350-30 ("ASC 350-30"), Intangibles-Goodwill and Other: General Intangibles Other than Goodwill. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method.

Impairment of long-lived assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

There were no indicators of impairment associated with the long-lived assets as of December 31, 2016 and 2017, respectively. At the year end of 2015, we recorded a write-down of assets for the business cooperation relating to resources to be provided through the channel of Paipai.com, as the Paipai.com business was terminated by JD.com.

Fair value

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and we consider assumptions that market participants would use when pricing the asset or liability.

We measure certain financial assets, including the investments under the cost method and equity method on other-than-temporary basis, intangible assets, goodwill and property, plant and equipment are marked to fair value when an impairment charge is recognized.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Share-based compensation

Our share-based awards mainly comprise share options and restricted share units, or RSUs. In accordance with ASC 718 "Compensation – Stock Compensation", share-based awards granted to employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the graded vesting method, net of estimated forfeitures, over the requisite service period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

If a share-based award is modified after the grant date, additional compensation expenses are recognized in an amount equal to the excess of the fair value of the modified equity instrument over the fair value of the original equity instrument immediately before modification. The additional compensation expenses are recognized immediately on the date of the modification or over the remaining requisite service period, depending on the vesting status of the award.

We determined the fair value of share options with the assistance of independent third-party valuation firms. The binomial option pricing model was applied in determining the fair value of share options. The fair value of RSUs granted subsequent to the initial public offering will be the price of publicly traded shares on the date of grant.

We also determined the fair value of share options granted by Yixin with the assistance of independent third-party valuation firms. In determining the fair value of ordinary shares granted by Yixin as share-based awards in 2017 before Yixin's IPO, the discounted cash flow method with a discount for lack of marketability was applied, given that the shares underlying the awards were not publicly traded at the time of grant. Based on fair value of the underlying ordinary shares, the binomial option pricing model was applied in determining the fair value of share options on the date of grant. The following table lists the inputs to the model used on the date of grant and weighted-average fair value per option granted:

	July 3, 2017		October 1, 2017	
Fair value per share	US\$	0.53	US\$	0.70
Exercise price	US\$	0.0014	US\$	0.0014
Risk-free interest rate		2.50%		2.46%
Dividend yield		0.00%		0.00%
Weighted-average fair value per option granted	US\$	0.53	US\$	0.70
Expected volatility		51%		56%
Expected terms		10 years		10 years

Income taxes

We account for income taxes using the asset and liability method, under which deferred income taxes are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the asset will not be realizable in the foreseeable future.

We adopt ASC 740-10-25 "Income Taxes" which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. We did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit for the years ended December 31 2015, 2016 and 2017.

Leases

Each lease is classified at the inception date as either a capital lease or an operating lease.

For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. Payments made under operating lease are charged to the consolidated statements of comprehensive income on a straight-line basis over the terms of underlying lease.

For direct financing leases where we are the lessor and for the sales and leaseback transactions where we are the buyer-lessor, the transaction is accounted for as a capital lease if the transaction satisfies one of the four capital lease conditions as discussed above. The leased automobiles we purchased would be derecognized upon the inception of the lease and the net investment of the lease will be recorded as finance receivables. The net investment in a lease consists of the minimum lease payments, net of executory costs plus the unguaranteed residual value, less the unearned interest income plus the unamortized initial direct costs related to the lease. The accrued interests are also included in the finance receivables balance. Over the period of a lease, each lease payment received is allocated between the repayment of the net investment in the lease and lease income based on the effective interest method so as to produce a constant rate of return on the net investment in the lease. The lease income is recorded as the our revenue in the consolidated statements of comprehensive income. Initial direct costs of the capital leases are amortized over the lease term by adjusting against the related lease income. The net investment in the leases, net of allowance for credit losses, is presented as finance receivables and classified as current or non-current assets in the balance sheets based on the duration of the remaining lease terms. Our finance receivables are typically secured with automobiles in the lease arrangements. The allowance for credit losses is based on a systematic, ongoing review and valuation performed as part of the credit-risk evaluation process.

We review credit quality of its finance receivables based on customer payment activities, including past due information. The entire balance of a finance receivable is considered contractually past due if the minimum required repayment is not received by the contractual repayment day. If any delinquency arises, we will consider initiating collection process, which includes (a) making phone calls and sending collection notice to the customers; (b) outsourcing to collection specialists to conduct collection of the automobiles; (c) re-possessing the automobiles directly followed by bidding of the automobiles. As of December 31, 2016 and 2017, the carrying amount of the repossessed automobiles is minimal. We have not established a practice of modifying the contractual payment terms, or entering into any troubled debt restructurings of the finance receivables with its customers.

Accrued lease income on finance receivables is calculated based on the effective interest rate of the net investment. Finance receivables are placed on non-accrual status upon reaching past due status for more than 90 days. When a finance receivable is placed on non-accrual status, we stop accruing interest and reverse all accrued but unpaid interest when such finance receivable is past due for 180 days. For the years ended December 31, 2016 and 2017, such reversals were immaterial. The finance receivable in non-accrual status was RMB57.2 million and RMB245.7 million (US\$37.8 million) as of December 31, 2016 and 2017, respectively. Lease income is subsequently recognized only upon the receipt of cash payments. We determine it is probable that, certain finance receivables that are past due for 180 days after the above mentioned collection process has been administered, will become uncollectable, and writes off such finance receivables.

If a lease transaction does not meet the criteria for classification as a capital lease as specified above, it is classified by the lessor as an operating lease. The payments received by the lessor are recorded as lease income in the period in which the payment is received or becomes receivable. We record the leased property as property, plant and equipment, net on the consolidated balance sheets and depreciated in the same manner as the other equipment.

Provision for credit losses

We assess the quality of our finance receivables at each balance sheet date through past due ratio based on the nature of our business and industry practice. In accordance with U.S. GAAP, we currently apply an "incurred loss" model and assess the provision for the finance receivables that have become past due, based on estimates of the respective loss probability derived from our historical experience. Changes in the estimates could have a material impact on the balance of provision for credit losses of finance receivables. As we are still in the process of finishing the lifecycle of our lease contracts since the inception of our transaction services business, we will further accumulate experience and employ more information as they become available, to estimate the loss probabilities, which may in turn impact the level of our provision for credit losses.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326)", which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Topic 326 introduces "expected credit loss" model, which is different from the "incurred loss" model we currently applied. It will incorporate both available forward looking information and historical pattern to estimate the lifetime expected credit losses for all finance receivables, including those that have not become past due. This guidance is effective for us for the year ending December 31, 2020, and it is permitted to early adopt for the year ending December 31, 2019. While we are currently evaluating the impact that the standard will have on our consolidated financial statements and related disclosures, it is generally expected that the adoption will likely increase the level of provision for credit losses of our finance receivables reported under U.S. GAAP.

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,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(In thousands)			
Revenue	4,254,195	5,772,948	8,751,259	1,345,044
Cost of revenue ⁽¹⁾	(1,450,744)	(2,077,979)	(3,234,680)	(497,161)
Gross profit	2,803,451	3,694,969	5,516,579	847,883
Selling and administrative expenses ⁽²⁾	(3,013,997)	(3,417,811)	(6,059,046)	(931,258)
Product development expenses ⁽³⁾	(312,100)	(457,367)	(565,702)	(86,947)
Other gains, net	60,508	70,981	31,576	4,853
Loss from operations	(462,138)	(109,228)	(1,076,593)	(165,469)
Interest income	24,980	41,651	93,025	14,298
Interest expense	(8,140)	(52,155)	(92,633)	(14,237)
Share of results of equity investees	(16,663)	(25,640)	(71,866)	(11,046)
Investment income/(loss)	141,195	(45,012)	(75,097)	(11,542)
Loss before tax⁽⁴⁾	(320,766)	(190,384)	(1,223,164)	(187,996)
Income tax expense ⁽⁵⁾	(64,518)	(147,569)	(203,824)	(31,327)
Net loss	(385,284)	(337,953)	(1,426,988)	(219,323)

- Including amortization of intangible assets resulting from asset and business acquisitions of RMB19.5 million, RMB1.1 million and RMB3.7 million (US\$0.6 million) in 2015, 2016 and 2017, respectively.
- Including share-based compensation expense of RMB120.0 million, RMB77.0 million and RMB1.17 billion (US\$179.5 million) in 2015, 2016 and 2017, respectively, and amortization of intangible assets resulting from asset and business acquisitions and write-down of assets of RMB750.3 million, RMB623.1 million and RMB673.6 million (US\$103.5 million) in 2015, 2016 and 2017, respectively. Also including professional expenses incurred for the issuance of preferred shares and the initial public offering of Yixin of RMB90.4 million (US\$13.9 million) in 2017.
- Including share-based compensation expense of RMB18.2 million (US\$2.8 million) in 2017.
- Including fair value adjustment of contingent considerations of RMB3.6 million, nil and RMB8.3 million (US\$1.3 million) in 2015, 2016 and 2017, respectively, share of amortization of equity investments' intangible assets not on their books of RMB0.3 million, RMB2.5 million and RMB0.7 million (US\$0.1 million) in 2015, 2016 and 2017, respectively, investment income associated with non-cash investment matters of RMB141.2 million in 2015, investment loss associated with non-cash investment matters of RMB40.4 million and RMB110.0 million (US\$16.9 million) in 2016 and 2017, respectively, amortization of the BCF discount on the convertible notes of RMB13.2 million and RMB57.2 million (US\$8.8 million) in 2016 and 2017, respectively, and impairment on equity investees of RMB21.2 million (US\$3.3 million) in 2017.
- Including tax impact related to professional expenses incurred for the initial public offering of Yixin of RMB5.7 million (US\$0.9 million) in 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue. Our total revenue increased by 51.6% from RMB5.77 billion in 2016 to RMB8.75 billion (US\$1.35 billion) in 2017. This increase was primarily due to the growth of our transaction services business, advertising and subscription business and digital marketing solutions business.

Our advertising and subscription business. Revenue from our advertising and subscription business increased by 14.2% from RMB3.43 billion in 2016 to RMB3.92 billion (US\$602.8 million) in 2017. The increase was primarily due to a 13.9% increase in paying subscribers for new cars from 23,700 in 2016 to 27,000 in 2017 and a 7.0% increase in average customers' spending on our advertising services.

Our transaction services business. Revenue from our transaction services business increased by 149.6% from RMB1.55 billion in 2016 to RMB3.87 billion (US\$595.2 million) in 2017. The increase was attributable to a 250.7% increase of leasing revenue from RMB863.7 million in 2016 to RMB3.03 billion (US\$465.6 million) in 2017 and an increase of vehicle telematics devices sales revenue amounting to RMB362.2 million (US\$55.7 million), offset by a decrease of automobile sales revenue amounting to RMB432.3 million (US\$66.4 million).

Our digital marketing solutions business. Revenue from our digital marketing solutions business increased by 21.4% from RMB788.3 million in 2016 to RMB956.9 million (US\$147.1 million) in 2017. The increase was mainly due to increase of revenues from customer support services such as marketing activities and website design and maintenance for our customers.

Cost of Revenue. Our cost of revenue increased by 55.7% from RMB2.08 billion in 2016 to RMB3.23 billion (US\$497.2 million) in 2017.

Our advertising and subscription business. Cost of revenue from our advertising and subscription business decreased by 5.0% from RMB890.5 million in 2016 to RMB845.8 million (US\$130.0 million) in 2017.

Our transaction services business. Cost of revenue from our transaction services business increased by 123.0% from RMB883.4 million in 2016 to RMB1.97 billion (US\$302.7 million) in 2017. This increase was mainly due to increased funding cost of RMB950.6 million (US\$146.1 million), vehicle telematics devices cost of RMB126.9 million (US\$19.5 million), as well as turnover taxes and related surcharges of RMB180.3 million (US\$27.7 million), offset by decrease in the cost of automobiles sold of RMB368.2 million (US\$56.6 million).

Our digital marketing solutions business. Cost of revenue from our digital marketing solutions business increased by 37.9% from RMB304.1 million in 2016 to RMB419.2 million (US\$64.4 million) in 2017. This increase was mainly due to increase in direct costs of the customer support services such as marketing activities and website design and maintenance for our customers.

Gross Profit. Our gross profit increased by 49.3% from RMB3.69 billion in 2016 to RMB5.52 billion (US\$847.9 million) in 2017.

Selling and Administrative Expenses. Our selling and administrative expenses increased by 77.3% from RMB3.42 billion in 2016 to RMB6.06 billion (US\$931.3 million) in 2017. This increase was primarily attributable to the increase in share-based compensation expense, sales and marketing expenses, salaries and benefits and allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables.

Share-based compensation expense. Share-based compensation expense was RMB1.17 billion (US\$179.5 million) in 2017 compared to RMB77.0 million in 2016. The increase was mainly due to options granted by Yixin to its employees in the third quarter of 2017.

Salaries and benefits. Expenses relating to our salaries and benefits increased by 41.4% from RMB972.1 million in 2016 to RMB1.37 billion (US\$211.3 million) in 2017. This increase was mainly attributable to the increase in the number of our sales and marketing employees and a modest increase in the average employee salaries.

Sales and marketing expenses. Our sales and marketing expenses increased by 51.6% from RMB1.30 billion in 2016 to RMB1.97 billion (US\$302.2 million) in 2017, which was in line with our overall growth.

Allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables. Allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables increased by 240.2% from RMB102.7 million in 2016 to RMB349.2 million (US\$53.7 million) in 2017, which was in line with the increases of our account receivables and finance receivables.

Amortization of intangible assets relating to the strategic cooperation with JD.com. Amortization of intangible assets relating to the strategic cooperation with JD.com incurred for the years ended December 31, 2016 and 2017 was RMB603.1 million and RMB629.9 million (US\$96.8 million).

Product Development Expenses. Our product development expenses increased by 23.7% from RMB457.4 million in 2016 to RMB565.7 million (US\$86.9 million) in 2017. This increase was primarily due to the increase in product development headcount and related expenses, and share-based compensation expense.

Income Tax Expense. Our income tax expense increased from RMB147.6 million in 2016 to RMB203.8 million (US\$31.3 million) in 2017. This increase was primarily attributable to the increased net non-deductible expenses offset by impact of preferential tax treatment for certain subsidiaries.

Net Loss. As a result of foregoing, we recorded a net loss of RMB1.43 billion (US\$219.3 million) in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue. Our total revenue increased by 35.7% from RMB4.25 billion in 2015 to RMB5.77 billion in 2016. This increase was primarily due to the growth of our transaction services business and digital marketing solutions business.

Our advertising and subscription business. Revenue from our advertising and subscription business increased by 10.5% from RMB3.11 billion in 2015 to RMB3.43 billion in 2016. The increase was primarily attributable to a 9.4% increase in customers' spending on our advertising services.

Our transaction services business. Revenue from our transaction services business increased by 133.6% from RMB664.2 million in 2015 to RMB1.55 billion in 2016. The increase was primarily due to a significant increase of leasing revenue from RMB64.7 million in 2015 to RMB863.7 million in 2016 and an increase of automobile sales revenue amounting to RMB553.4 million, offset by a decrease of automobile e-commerce revenue amounting to RMB471.6 million.

Our digital marketing solutions business. Revenue from our digital marketing solutions business increased by 62.9% from RMB483.9 million in 2015 to RMB788.3 million in 2016. The increase was primarily attributable to an increase of 57.5% in gross billings which include the gross value of advertisements placed by our customers. The growth of gross billings is mainly driven by (i) an increase in the number of customers including 40 automaker and auto-related customers, which contributed RMB941.1 million to the gross billings, and (ii) the increased spending of our recurring customers, which amounted to RMB177.7 million.

Cost of Revenue. Our cost of revenue increased by 43.2% from RMB1.45 billion in 2015 to RMB2.08 billion in 2016.

Our advertising and subscription business. Cost of revenue from our advertising and subscription business increased by 17.0% from RMB761.2 million in 2015 to RMB890.5 million in 2016. The increase was mainly due to a 34.9% increase in fees paid to partners' websites to distribute automobile dealer customers' pricing and promotional information from RMB236.0 million in 2015 to RMB318.4 million in 2016.

Our transaction services business. Cost of revenue from our transaction services business increased by 107.1% from RMB426.6 million in 2015 to RMB883.4 million in 2016. This increase was mainly due to increase in automobile cost of RMB471.7 million in relation to the purchase of automobiles that were later sold, funding cost of RMB186.6 million as a result of rapid business expansion as well as turnover taxes and related surcharges of RMB99.7 million, offset by a decrease in automobile e-commerce cost of RMB331.7 million.

Our digital marketing solutions business. Cost of revenue from our digital marketing solutions business increased by 15.6% from RMB263.0 million in 2015 to RMB304.1 million in 2016. This increase was mainly due to increase in direct costs of the customer support services such as marketing activities and website design and maintenance for our customers.

Gross Profit. Our gross profit increased by 31.8% from RMB2.80 billion in 2015 to RMB3.69 billion in 2016.

Selling and Administrative Expenses. Our selling and administrative expenses increased by 13.4% from RMB3.01 billion in 2015 to RMB3.42 billion in 2016. This increase was primarily attributable to the increase in headcount and related expenses.

Salaries and benefits. Expenses relating to our salaries and benefits increased by 64.6% from RMB590.6 million in 2015 to RMB972.1 million in 2016. This increase was mainly attributable to the increase in the number of our sales and marketing employees and a modest increase in the average employee salaries.

Amortization of intangible assets relating to the strategic cooperation with JD.com. Amortization of intangible assets relating to the strategic cooperation with JD.com incurred for the years ended December 31, 2015 and 2016 was RMB469.8 million and RMB603.1 million.

Product Development Expenses. Our product development expenses increased by 46.5% from RMB312.1 million in 2015 to RMB457.4 million in 2016. This increase was primarily due to an increase in product development headcount and related expenses.

Income Tax Expense. Our income tax expense increased from RMB64.5 million in 2015 to RMB147.6 million in 2016. This increase was primarily attributable to increased profit before tax for some of our subsidiaries incorporated in the PRC, and impact of preferential tax treatment for certain subsidiaries and to a lesser extent, the increased net non-deductible expenses, offset by the changes in valuation allowance.

Net Loss. As a result of foregoing, we recorded a net loss of RMB338.0 million in 2016.

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 2015, 2016 and 2017 were increases of 1.6%, 2.1% and 1.8%, 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

See Item 18 of Part III, “Financial Statements—Note 3—Recent accounting pronouncements.”

B. Liquidity and Capital Resources

The following table presents a summary of our consolidated balance sheets data as of December 31, 2016 and 2017.

	As of December 31,		
	2016	2017	
	RMB	RMB	US\$
	(In thousands)		
Cash, cash equivalents, time deposits and restricted cash	7,649,565	11,039,359	1,696,718
Total current assets	16,474,959	28,117,369	4,321,560
Total assets	29,934,756	51,515,732	7,917,823
Total current liabilities	11,953,916	22,699,239	3,488,809
Total liabilities	16,173,045	31,278,061	4,807,350
Redeemable non-controlling interests	3,939,646	301,953	46,409
Total shareholders' equity	9,822,065	19,935,718	3,064,064
Total liabilities, redeemable non-controlling interests and shareholders' equity	29,934,756	51,515,732	7,917,823

Our PRC subsidiaries are 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 subsidiaries and their variable interest entities are required to set aside at least 10% of their after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of their 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 subsidiaries are restricted in their ability to transfer a portion of their net assets, including general reserve and registered capital, either in the form of dividends, loans or advances. Such restricted portion of retained earnings amounted to RMB89.8 million and RMB153.5 million (US\$23.6 million) as of December 31, 2016 and 2017, respectively.

To date, our principal sources of liquidity have been cash collected from customers, the proceeds from the net proceeds from the private placement with investors including Tencent and JD in February 2015 and Tencent, JD and Baidu in June 2016, the net proceeds from the initial public offering of Yixin in 2017, asset-backed securitization debt and borrowings from some commercial banks in China. Additionally, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” As of December 31, 2016 and 2017, we had RMB7.65 billion and RMB11.04 billion (US\$1.70 billion) in cash, cash equivalents, time deposits and restricted cash, respectively. Although we consolidate the results of our PRC variable interest entities, 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 variable interest 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 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.

Our cash, cash equivalents, time deposits and restricted cash as of December 31, 2016 and 2017 are listed in the table below.

	As of December 31,	
	2016	2017
	RMB	RMB
	(In millions)	
Cash located outside of the PRC		
- in US dollars	5,517.7	3,250.3
- in HK dollars	0.1	2,797.6
- in RMB	-	-
	<u>5,517.8</u>	<u>6,047.9</u>
Cash located in the PRC:		
- held by variable interest entities and subsidiaries of variable interest entities:		
- in RMB	1,170.3	1,303.5
- in US dollars	-	-
- held by subsidiaries:		
- in RMB	947.6	3,646.7
- in US dollars	13.9	41.3
	<u>2,131.8</u>	<u>4,991.5</u>
Cash, cash equivalents, time deposits and restricted cash	<u><u>7,649.6</u></u>	<u><u>11,039.4</u></u>

Cash balances located in the PRC, which are held by our variable interest entities and PRC subsidiaries, can be transferred to our subsidiaries outside of China through dividend payments. Such transfer will incur cost in the form of PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders or ADS holders.”

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 variable interest entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Dividend payments are current account transactions, which can be made in foreign currencies by complying with certain procedural requirements but do not require prior approval from SAFE. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may 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,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(In thousands)			
Net cash provided by operating activities	601,883	527,396	928,226	142,666
Net cash used in investing activities	(4,175,746)	(16,966,591)	(13,103,691)	(2,014,001)
Net cash provided by financing activities	5,274,932	15,422,674	19,842,120	3,049,678
Effect of exchange rate changes on cash and cash equivalents	18,332	97,636	(133,617)	(20,536)
Increase/ (Decrease) in cash and cash equivalents	1,719,401	(918,885)	7,533,038	1,157,807
Cash and cash equivalents at beginning of the year	1,221,473	2,940,874	2,021,989	310,774
Cash and cash equivalents at the end of the year	<u><u>2,940,874</u></u>	<u><u>2,021,989</u></u>	<u><u>9,555,027</u></u>	<u><u>1,468,581</u></u>

Operating Activities

Net cash provided by operating activities was RMB928.2 million (US\$142.7 million) for the year ended December 31, 2017. This amount reflected net loss of RMB1.43 billion (US\$219.3 million), and was (i) adjusted for certain non-cash expenses, principally share-based compensation of RMB1.19 billion (US\$182.3 million), amortization of intangible assets of RMB688.6 million (US\$105.8 million), allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables of RMB349.2 million (US\$53.7 million), depreciation of property, plant and equipment of RMB185.3 million (US\$28.5 million) and investment loss of RMB75.1 million (US\$11.5 million), and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in other payables and accruals of RMB1.03 billion (US\$157.8 million) and an increase in accounts payable of RMB483.3 million (US\$74.3 million) and (ii) offset by certain non-cash income and by changes in certain working capital accounts that negatively affected operating cash flow, primarily being an increase of RMB869.7 million (US\$133.7 million) in accounts receivable, an increase of RMB375.8 million (US\$57.8 million) in other non-current assets, an increase of RMB343.8 million (US\$52.8 million) in prepayments and other receivables, and an increase of RMB220.3 million (US\$33.9 million) in bills receivable. The increase in other payables and accruals was attributable to an increase in advances from customers. The increase in accounts receivable and bills receivable was primarily attributable to higher sales volume in 2017. The increase in other non-current assets was attributable to prepayments related to automotive financial services in 2017.

Net cash provided by operating activities was RMB527.4 million for the year ended December 31, 2016. This amount reflected the net loss of RMB338.0 million, and was (i) adjusted for certain non-cash expenses, principally amortization of intangible assets of RMB633.4 million, and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in other payables and accruals of RMB393.3 million and an increase in accounts payable of RMB619.8 million and (ii) offset by certain non-cash income and by changes in certain working capital accounts that negatively affected operating cash flow, primarily being an increase of RMB426.8 million in accounts receivable, an increase of RMB258.7 million in prepayments and other receivables, an increase of RMB104.3 million in other current assets and an increase of RMB462.0 million in other non-current assets. The increase in other payables and accruals was attributable to an increase in advances from customers, and taxes and related surcharges. The increase in accounts receivable was primarily attributable to higher sales volume in 2016. The increase in other non-current assets was attributable to prepayments related to automotive financial services in 2016.

Net cash provided by operating activities was RMB601.9 million for the year ended December 31, 2015. This amount reflected the net loss of RMB385.3 million, and was (i) adjusted for certain non-cash expenses, principally amortization of intangible assets of RMB495.6 million, write-down of assets of RMB280.6 million and for changes in certain working capital accounts that positively affected operating cash flow, primarily an increase in other payables and accruals of RMB392.6 million and an increase in accounts payable of RMB433.6 million and (ii) offset by certain non-cash income and by changes in certain working capital accounts that negatively affected operating cash flow, primarily an increase of RMB384.2 million in accounts receivable and an increase of RMB154.2 million in prepayments and other receivables. The increase in other payables and accruals was attributable to an increase in advances from customers, and taxes and related surcharges. The increase in accounts receivable was primarily attributable to higher sales volume in 2015.

Investing Activities

Net cash used in investing activities was RMB13.10 billion (US\$2.01 billion) for the year ended December 31, 2017. This amount was primarily attributable to RMB15.47 billion (US\$2.38 billion) used in automotive financial services, RMB3.90 billion (US\$600.0 million) used in placement of restricted cash, and RMB1.73 billion (US\$265.7 million) used in purchases of property, plant and equipment. The amount was offset of RMB7.83 billion (US\$1.20 billion) by proceeds from restricted cash and RMB242.3 million (US\$37.2 million) by proceeds from disposal of property, plant and equipment.

Net cash used in investing activities was RMB16.97 billion for the year ended December 31, 2016. This amount was primarily attributable to RMB11.11 billion used in automotive financial services, RMB6.90 billion used in placement of restricted cash, RMB575.0 million used in purchases of property, plant and equipment and RMB280.2 million used in purchase of investment in equity investees. The amount was offset of RMB1.82 billion by proceeds from restricted cash and RMB100.0 million by proceeds from maturity of time deposits.

Net cash used in investing activities was RMB4.18 billion for the year ended December 31, 2015. This amount was primarily attributable to RMB2.78 billion used in automotive financial services, RMB334.1 million used in placement of restricted cash, RMB2.39 billion used in placement of time deposits, RMB231.9 million used in the purchases of property, plant and equipment and RMB921.1 million used in purchase of investment in equity investees. The amount was offset of RMB2.44 billion by proceeds from maturity of time deposits.

Financing Activities

Net cash provided by financing activities was RMB19.84 billion (US\$3.05 billion) for the year ended December 31, 2017, mainly attributable to RMB8.66 billion (US\$1.33 billion) from net proceeds from borrowings, RMB5.53 billion (US\$849.8 million) from issuance of subsidiary's ordinary shares, net of issuance costs, RMB4.35 billion (US\$668.1 million) from net proceeds from asset-backed securitization debt, and RMB1.32 billion (US\$202.5 million) from issuance of subsidiaries' redeemable convertible preference shares, net of issuance costs.

Net cash provided by financing activities was RMB15.42 billion for the year ended December 31, 2016, mainly attributable to RMB6.96 billion from net proceeds from borrowings, RMB4.43 billion from net proceeds from asset-backed securitization debt, RMB2.04 billion from issuance of subsidiary's redeemable convertible preference shares, net of issuance costs, RMB991.7 million from issuance of convertible debt and RMB978.0 million from issuance of ordinary shares, net of issuance costs.

Net cash provided by financing activities was RMB5.27 billion for the year ended December 31, 2015, mainly attributable to RMB361.1 million from proceeds from borrowings, RMB1.54 billion from issuance of subsidiary's redeemable convertible preference shares, net of issuance costs and RMB3.37 billion from issuance of ordinary shares, net of issuance costs.

Capital Expenditures

Our capital expenditures amounted to RMB1.16 billion, RMB945.3 million and RMB1.93 billion (US\$295.9 million) in 2015, 2016 and 2017, respectively. In the past, our capital expenditures consisted principally of purchases of property, plant and equipment, purchases of intangible assets, acquisitions of subsidiaries and investment in equity investees. We expect our capital expenditures in 2018 to consist principally of similar types of items.

Holding Company Structure

Bitauto Holdings Limited is a holding company with no operations of its own. We conduct our operations in China primarily through our subsidiaries and consolidated affiliated entities in China. As a result, although other means are available for us to obtain financing at the holding company level, Bitauto Holdings Limited's ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and license and service fees paid by our PRC consolidated affiliated entities. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Bitauto Holdings Limited. In addition, our PRC subsidiaries and consolidated affiliated entities are required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

Our PRC subsidiaries, being foreign-invested enterprises established in China, are required to make appropriations to certain statutory reserve, namely, a general reserve fund, an enterprise expansion fund, a staff welfare fund and a bonus fund, all of which are appropriated from net profit as reported in their PRC statutory accounts. Each of our PRC subsidiaries is required to allocate at least 10% of its after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus funds are at the discretion of the board of directors of the PRC subsidiaries.

Our consolidated affiliated entities must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely a statutory surplus fund, a statutory public welfare fund and a discretionary surplus fund. Each of our consolidated affiliated entities is required to allocate at least 10% of its after-tax profits to the statutory surplus fund until such fund has reached 50% of its respective registered capital. Appropriations to the statutory public welfare fund and the discretionary surplus fund are at the discretion of our consolidated affiliated entities.

Under PRC laws and regulations, our PRC subsidiaries and consolidated affiliated entities are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. As of December 31, 2017, our subsidiaries, variable interest entities and subsidiaries of variable interest entities registered in PRC had registered capital and reserve funds in an amount of approximately RMB20.11 billion (US\$3.09 billion).

See Item 18 “Financial Statements.”

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

Intellectual Property

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, 2018, we held 1,362 registered trademarks, 701 pending trademark applications, 11 patents and 213 computer software copyrights. We have registered 2,162 domain names for our company and our customers, including our main website domain names www.bitauto.com and www.yiche.com.

We incurred research and development expenses of RMB312.1 million, RMB457.4 million and RMB565.7 million (US\$86.9 million) in 2015, 2016 and 2017, 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 2017 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

Other than the financial guarantees provided by Dalian Rongxin as part of the services it provides, we have not entered into any other 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, 2017:

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands of RMB)				
Operating lease obligations ⁽¹⁾	293,759	119,484	154,579	17,873	1,823
Borrowings	17,234,324	11,716,185	5,518,139	—	—
Asset-backed securitization debt	9,217,497	6,514,105	2,703,392	—	—
Convertible debt	889,173	16,466	32,932	839,775	—
Capital commitment (Purchase of automobiles)	503,903	503,903	—	—	—
Total	28,138,656	18,870,143	8,409,042	857,648	1,823

(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 2017, our operating lease obligations are RMB293.8 million.

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	43	Chairman of the Board of Directors
Xuan Zhang	42	Director and Chief Executive Officer
Sidney Xuande Huang	52	Director
Rob Huting	50	Director
Erhai Liu	49	Director
Yu Long	45	Director
Jun Hou	53	Director
Cynthia Kun He	42	Chief Financial Officer
Lei Zhu	32	Chief Technology Officer
Xiaoke Liu	37	Chief Operating Officer
Xiangzhi Kong	40	Chief Strategy Officer

Mr. Bin Li is our founder and has served as our chairman of the board of directors since 2005. From 2005 to January 2018, Mr. Li also served as our chief executive officer. In 2000, Mr. Li co-founded Beijing Bitauto E-Commerce Co., Ltd. and served as its director and president until 2006. In 2002, Mr. Li and Mr. Weihai Qu co-founded Beijing C&I Advertising Company Limited and has served as its chairman of the board of directors and chief executive officer since its inception. In addition, Mr. Li currently serves as the vice-chairman of CADA. In 2014, Mr. Li founded Nio, a global startup company that designs and develops electronic vehicles, and currently serves as chairman of the board of directors and chief executive director. Mr. Li received his bachelor's degree in Sociology from Peking University where he minored in Law.

Mr. Xuan Zhang has served as our director since March 2017 and our chief executive officer since January 2018. He has also served as chief executive officer, executive director, and chairman of Yixin since November 2014. Mr. Zhang was our president from September 2016 to January 2018, chief operating officer from August 2015 to September 2016, our chief financial officer from 2009 to September 2016, and 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 served as a manager at Ernst & Young LLP and PricewaterhouseCoopers LLP between 2000 and 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. Sidney Xuande Huang has served as our director since 2010. He was previously our independent director until we entered strategic partnership with JD.com and Tencent in early 2015. Mr. Huang has been the chief financial officer of JD.com since September 2013. Prior to joining JD.com, he was the chief financial officer of VanceInfo Technologies Inc., an NYSE-listed IT services provider, and its successor company, Pactera Technology International Ltd., from 2006 to 2013. Mr. Huang also served as VanceInfo's co-president from 2011 to 2012 and its chief operating officer from 2008 until 2010. Prior to joining VanceInfo Technologies, 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. Rob Huting has served as our director since January 2018. Mr. Huting also serves on the boards of Mahindra First Choice Wheels Limited, Manheim Brasil, and Jingzhengu. Mr. Huting is currently Corporate Development, Vice President of Cox Automotive Inc., a parent company of responsible for international merger and acquisition transactions. In addition, Mr. Huting is responsible for managing and developing existing and potential new strategic partnerships in emerging markets including Brazil, India and China. Cox Automotive, the parent company of Cox Automotive International, is also the parent company of AutoTrader Group, or ATG Group, which is a major shareholder of us. Prior to Mr. Huting's current role, he was General Manager for Autotrader Classics from December 2007 to May 2011. Mr. Huting's previous positions include Managing Director Continental Europe for Manheim Retail Services, Director Sales and Marketing, and Director European Business Development for Manheim Europe. Mr. Huting holds a Masters of International Business Studies from the University of South Carolina.

Mr. Erhai Liu has served as our director since 2005 and independent director since 2011. Mr. Liu is a founding and managing partner of Joy Capital. Before founding Joy Capital in 2015, Mr. Liu had worked for Legend Capital around 12 years from 2003 to 2015. He was a managing director of Legend Capital and led the TMT and innovative consumption team. At Legend Capital, Mr. Liu was responsible for investments in CAR Inc. (HK: 0699), BitAuto Holdings Limited (NYSE: BITA), Renren Inc. (NYSE: RENN), iDreamSky Technology Limited (NASDAQ: DSKY), Zhaopin.com Limited (NYSE: ZPIN) and many other public and private companies. In 2012, Forbes magazine ranked Mr. Liu No. 84 in its Midas List of global top 100 technology investors. Mr. Liu was one of 2014 China best 50 Venture Capitalists selected by Forbes China. Before joining Legend Capital in 2003, Mr. Liu had worked at China RailcomNet as a vice president of operations, at Clarent China as vice general manager and head of value-added business unit at JiTong Communications. Mr. Liu holds a bachelor's degree in communication engineering from Guilin University of Electronic Technology, a master's degree in communication and information system from Xidian University, an MBA and a master's degree in global finance from Fordham University, and a master's degree in psychology from Peking University.

Ms. Annabelle Yu Long has served as our director since 2008 and independent director since 2011. Ms. Long currently serves as a member of Bertelsmann Group Management Committee, Chief Executive Officer of Bertelsmann China Corporate Center and Managing Partner of Bertelsmann Asia Investments. Formerly, Ms. Long was a Principal at Bertelsmann Digital Media Investments. She joined the international media, services, and education company via the Bertelsmann Entrepreneurs Program in 2005. From 1996 to 2003, Ms. Long was a Producer and Lead Anchor for the Sichuan Broadcasting Group. From 1994 to 1996 she was a Producer and host for Chengdu People's Radio Broadcasting. Ms. Long is an active member of the World Economic Forum's Young Global Leaders Advisory Council and is also a member of its Global Agenda Council on the Future of Media, Entertainment & Information. In addition, she is a member of the Stanford Graduate School of Business Advisory Council. Ms. Long serves on the Board of Directors of both Tapestry Inc. (NYSE: TPR, its portfolio includes Coach, Stuart Weitzman and Kate Spade), China Distance Education (NYSE: DL) and iClick Interactive Asia Group Limited (NASDAQ: ICLK).

Mr. Jun Hou has served as our independent director since March 2015. Mr. Jun Hou is currently chairman of Yanyuan Alumni (Beijing) Investment Management Limited, where he manages the Entrepreneur's Training Camp of Peking University. Mr. Hou has extensive experience in China's telematics sector. He was the co-founder and served as the honorary chairman of the board of directors of Autonavi Holdings Limited, from May 2013 to July 2014 and the chairman from April 2002 to May 2013. Mr. Hou also held the position of chief executive officer of Autonavi from April 2002 to October 2009. From June 1994 to April 2002, Mr. Hou served as the chairman of the board of directors and was actively involved in the operations of China Da Tong Industrial Co., Ltd. Prior to this, he worked at China Science and Technology International Trust and Investment Corporation from August 1990 to August 1993. Mr. Hou received a bachelor's degree in Chinese from Peking University in China.

Ms. Cynthia Kun He has served as our chief financial officer since September 2016. Prior to joining us, Ms. He worked at Deutsche Bank China where she ran corporate communications for the past four years. Her previous roles have included head of investor relations for Baidu, the leading Chinese language internet search provider, advisor with international consultancy Brunswick Group and analyst with Standard & Poor's Rating Services. She also served as Chief China Representative for Ignite! Learning, a leading US educational multimedia courseware provider. Ms. He holds an MBA from Columbia Business School and a BA from New York University's Stern School of Business.

Mr. Lei Zhu has served as our chief technology officer since December 2016. Before joining us, Mr. Zhu served for two years as Vice President of Didi Chuxing where he was also General Manager of its Commercial Business Division, responsible for commercialization strategy and product development related to automobiles, advertising, big data analytics as well as strategic alliances. Before joining Didi Chuxing, Mr. Zhu worked at Baidu from 2007 to 2014, in charge of various business functions including vertical search technology, cloud computing, and big data analytics. Mr. Zhu holds an MBA from Tsinghua University and a bachelor's degree in Science from Shanghai Jiao Tong University.

Mr. Xiaoke Liu has served as our chief operating officer since March 2018. Prior to this, he served as our senior vice president since February 2017. Before joining Bitauto, Mr. Liu served as general manager of the auto business division of Sina.com since 2014, responsible for the division management and operation. From 2012 to 2014, Mr. Liu was the general manager of the auto business division of Phoenix.com. Prior to this, Mr. Liu worked at Sohu.com from 2004 to 2012 and was the associate editor-in-chief of the automobile channel from 2008 to 2012. Mr. Liu holds a bachelor's degree in Business Administration from the University of Luton in England.

Mr. Xiangzhi Kong has served as our chief strategy officer since March 2018. Prior to this, Mr. Kong served as Bitauto's vice president from 2015, assistant vice president from 2013 to 2015, and our business development director from 2008 to 2012. Mr. Kong has been responsible for Bitauto's strategic planning, investments and development of strategic partnerships. Prior to joining Bitauto, Mr. Kong had approximately 10 years of experience in management consulting, providing strategic planning and marketing consulting services to the Fortune 500 and leading technology companies. Mr. Kong received a bachelor's degree in Economics from the University of International Business and Economics in 1999.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2017, we paid an aggregate of approximately RMB17.4 million (US\$2.7 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 RMB254.9 thousand (US\$39.2 thousand) in premiums for commercial medical insurance coverage. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and variable interest entities 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 to two years 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, 2018, options to purchase 149,501.5 ordinary shares and 71,607 RSUs under the 2006 Plan were outstanding.

The following table summarizes, as of March 31, 2018, the shares related to outstanding options and RSUs granted under the 2006 Plan to certain of our directors and executive officers and to other individuals as a group.

Name	Number of Options or Restricted Share Units Granted	Exercise Price (US\$/ Share)	Date of Grant	Date of Expiration	Vesting Schedule
Sidney Xuande Huang	*	10.20	December 28, 2010	December 28, 2020	vested
Other individuals as a group	65,951.5	10.20	December 28, 2010	December 28, 2020	vested
	49,800	0.40	December 31, 2006	December 31, 2026	vested
	71,607	—	March 16, 2016	March 16, 2026	4 years

* Less than one percent of our outstanding shares.

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. Options granted under the 2006 Stock Incentive Plan typically expire 10 years from relevant grant date. In March 2016, we extended the expiration date for 89,600 of those options to December 31, 2026. 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, 2018, options to purchase 264,204.5 ordinary shares and 56,832 RSUs under the 2010 Plan were outstanding.

The following table summarizes, as of March 31, 2018, the shares related to outstanding options and RSUs granted under the 2010 Plan to certain of our directors and executive officers and to other individuals as a group.

Name	Number of Options or Restricted Share Units Granted	Exercise Price (US\$/ Share)	Date of Grant	Date of Expiration	Vesting Schedule
Bin Li	*	10.20	December 28, 2010	December 28, 2020	vested
Other individuals as a group	83,167	3.20	February 8, 2010	February 8, 2020	vested
	58,787.5	10.20	December 28, 2010	December 28, 2020	vested
	72,250	4.03	August 7, 2012	August 7, 2022	vested
	56,832	—	March 16, 2016	March 16, 2026	4 years

* Less than one percent of our outstanding shares.

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 March 31, 2018, 928,185 RSUs under the 2012 Plan were outstanding.

The following table summarizes, as of March 31, 2018, the outstanding RSUs granted to certain of our directors and executive officers and to other individuals as a group.

Name	Number of RSUs	Date of Grant	Date of Expiration	Vesting Schedule
Bin Li	*	August 7, 2013	August 7, 2023	vested
	*	November 17, 2016	November 17, 2026	vested
Xuan Zhang	*	November 17, 2016	November 17, 2026	vested
Xiaoke Liu	*	March 16, 2017	March 16, 2027	4 years
Xiangzhi Kong	*	November 20, 2014	November 20, 2024	vested
	*	November 17, 2016	November 17, 2026	vested
Sidney Xuande Huang	*	October 1, 2013	October 1, 2023	vested
Yu Long	*	February 17, 2015	February 17, 2025	vested
	*	May 25, 2017	May 25, 2027	4 years
Jun Hou	*	March 5, 2015	March 5, 2025	4 years
		December 25, 2013	December 25, 2023	4 years
Other individuals as a group	8,178	December 25, 2013	December 25, 2023	4 years
	8,400	October 21, 2014	October 21, 2024	vested
	187	November 12, 2014	November 12, 2024	vested
	10,396	November 20, 2014	November 20, 2024	4 years
	15,792	March 5, 2015	March 5, 2025	4 years
	22,106	April 21, 2015	April 21, 2025	vested
	4,488	August 20, 2015	August 20, 2025	vested
	92,736	March 16, 2016	March 16, 2026	4 years
	35,058	May 20, 2016	May 20, 2026	vested
	143,176	November 17, 2016	November 17, 2026	vested
	28,758	November 10, 2016	November 10, 2026	4 years
	22,564	March 16, 2017	March 16, 2027	4 years
	79,000	September 26, 2017	September 26, 2027	4 years

* Less than one percent of our outstanding shares.

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.

2016 Share Incentive Plan

On November 17, 2016 we adopted our 2016 Share Incentive Plan, or the 2016 Plan, which was amended and restated in March 2018, to motivate, attract and retain employees, directors and consultants. The amended and restated 2016 Share Incentive Plan increased the maximum number of ordinary shares to 6,200,000 shares in order to further attract and retain the best available personnel and provide additional incentive to employees, officers, directors and advisors of the Company. As of March 31, 2018, 3,764,701 RSUs under the 2016 Plan were outstanding.

The following table summarizes, as of March 31, 2018, the outstanding RSUs granted to certain of our directors and executive officers and to other individuals as a group.

Name	Number of RSUs	Date of Grant	Date of Expiration	Vesting Schedule
Xuan Zhang	*	January 5, 2017	January 5, 2027	vested
	2,100,000	March 15, 2018	March 15, 2028	5 years
Cynthia Kun He	*	January 5, 2017	January 5, 2027	4 years
Lei Zhu	*	January 5, 2017	January 5, 2027	4 years
Xiangzhi Kong	*	January 5, 2017	January 5, 2027	4 years
Erhai Liu	*	March 15, 2018	March 15, 2028	4 years
Other individuals as a group	1,073,374	January 5, 2017	January 5, 2027	4 years

* Less than one percent of our outstanding shares.

The following paragraphs describe the principal terms of the 2016 Plan.

Types of Awards. The 2016 Plan permits the awards of options, restricted shares or restricted share units.

Plan Administration. The plan administrator is our board of directors. The board may delegate a committee of one or more members of the board the authority to grant or amend awards to participants other than the board or the committee.

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. The plan administrator may terminate, amend or modify the 2016 plan at any time and from time to time, with the approval of the board.

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. Erhai Liu, Ms. Yu Long and Mr. Jun Hou. Mr. Erhai Liu is the chairman of our audit committee and Mr. Jun Hou meets the criteria of an audit committee financial expert under applicable rules. Mr. Erhai Liu, Ms. Yu Long and Mr. Jun Hou 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 5,282, 7,620 and 8,558 employees as of December 31, 2015, 2016 and 2017, respectively. Of all the employees as of December 31, 2017, 3,316 were located in Beijing, and 5,242 in other cities in China.

The following table sets forth the number and percentage of our employees by functional area as of December 31, 2017:

Functional Area	Number of Employees	% of Total
Sales, marketing and customer support	5,608	66%
Editorial and creative	525	6%
Product development	1,577	18%
General and administrative	848	10%
Total	8,558	100%

The number of our employees includes 5,930 employees who are from the entities in which we acquired and holds controlling interests.

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, 2018 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	%*
Directors and Executive Officers:		
Bin Li ⁽¹⁾	7,755,863.5	10.8%
Xuan Zhang ⁽²⁾	**	**
Sidney Xuande Huang ⁽³⁾	**	**
Rob Huting ⁽⁴⁾	—	—
Erhai Liu ⁽⁵⁾	—	—
Yu Long ⁽⁶⁾	**	**
Jun Hou ⁽⁷⁾	**	**
Cynthia Kun He ⁽⁸⁾	**	**
Lei Zhu ⁽⁹⁾	**	**
Xiaoke Liu ⁽¹⁰⁾	**	**
Xiangzhi Kong ⁽¹¹⁾	**	**
All Directors and Executive Officers as a group	8,184,702.5	11.4%
Principal Shareholders:		
JD.com Global Investment Limited ⁽¹²⁾	18,161,020	25.4%
ATG Global Management L.P. ⁽¹³⁾	9,000,000	12.6%
Proudview Limited ⁽¹⁴⁾	6,942,779.5	9.7%
Entities affiliated with PAG Holdings Limited ⁽¹⁵⁾	5,323,205	7.5%
Entities affiliated with Tencent Holdings Limited ⁽¹⁶⁾	5,482,683	7.7%
William von Mueffling ⁽¹⁷⁾	4,673,512	6.5%

* For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares issued and outstanding, which is 71,422,374.5 as of March 31, 2018 (excluding 1,317,591.5 treasury shares and ordinary shares issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the share incentive plans), and the number of shares such person or group has the right to acquire upon exercise of options, RSUs or other rights within 60 days after March 31, 2018.

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

- 1) Includes (i) 6,942,779.5 ordinary shares includes 4,442,779.5 ordinary shares and 2,500,000 ADSs 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) 313,084 vested restrict share units. Mr. Li owns 99.8% of the outstanding capital stock of Proudview Limited and has the sole voting and investment power over Proudview Limited. The remaining 0.2% of Proudview is owned by Mr. Weihai Qu. Mr. Li is a director of Proudview Limited. The business address of Mr. Li is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 2) The business address of Mr. Zhang is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 3) The business address of Mr. Huang is 18 Kechuang 11th Street, JD Tower A, 20/F, Beijing, China, 101111.
- 4) The business address for Mr. Huting is c/o AutoTrader Group, Inc., 3003 Summit Boulevard Atlanta, Georgia 30319.
- 5) The business address for Mr. Liu is 1501, Tower B, Greenland Center, No. 4 Wangjing Dong Yuan, Chaoyang District, Beijing, China, 100102.
- 6) The business address of Ms. Long is Unit 1609, 16/F, West Tower, Genesis Beijing, 8 Xinyuan South Rd., Chaoyang Dist., Beijing 100027, P.R.China.
- 7) The business address of Mr. Hou is 48-19, Bishuizhuangyuan, Huilongguan Town, Changping District, Beijing, China, 102206.
- 8) The business address of Ms. He is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 9) The business address of Mr. Zhu is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 10) The business address of Mr. Liu is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 11) The business address of Mr. Kong is New Century Hotel Office Tower, 6/F, No. 6 South Capital Stadium Road, Beijing, China, 100044.
- 12) Includes 18,161,020 ordinary shares held by JD.com Global Investment Limited, as reported on Schedule 13D/A filed by JD.com Global Investment Limited and other joint filers on June 21, 2016. JD.com Global Investment Limited is a British Virgin Islands company, which is a wholly owned subsidiary of JD.com Investment Limited, which is in turn a wholly owned subsidiary of JD.com, Inc., a Cayman Islands company with its shares listed on the Nasdaq Global Select Market. The business address of JD.com Global Investment Limited is 18 Kechuang 11th Street, JD Tower A, 20/F, Beijing, China, 101111.
- 13) Includes (i) 4,380,000 ordinary shares and (ii) 4,620,000 ordinary shares represented by ADSs owned by ATG Global Management L.P., or ATGGM, which an indirect, wholly-owned subsidiary of Autotrader Group, Inc., ATG, as reported on Schedule 13D/A filed by Autotrader Group, Inc., or ATG and another joint filer on January 12, 2017. ATG International Management, LLC, or ATGIM, a Delaware limited liability company, is the general partner of ATGGM. In addition, (i) ATG Investments, Inc., or ATGI, a Delaware corporation, as sole member of ATGIM, (ii) AutoTrader.com, Inc., or 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.
- 14) See (1).
- 15) Includes (i) 422,475 ordinary shares upon the conversion of the convertible notes held by PAG Asia Alpha LP, (ii) 633,713 ordinary shares upon the conversion of the convertible notes held by PAG-P Asia Fund L.P., (iii) 675,962 ordinary share upon conversion of the convertible notes held by PA Grand Opportunity Limited, and (iv) 3,591,052 ordinary shares upon the conversion of the convertible notes held by Pacific Alliance Asia Opportunity, as reported on Schedule 13G jointly filed by PAG Holdings Limited, Pacific Alliance Group Limited, or PAG Limited, Pacific Alliance Investment Management Limited, or Pacific Alliance Investment Management, Pacific Alliance Group Asset Management Limited, or Asset Management, and Pacific Alliance Asia Opportunity Fund L.P., or Pacific Alliance Asia Opportunity, on February 14, 2018. According to the Schedule 13G filing, PAG Asia Alpha LP is a Cayman Islands limited partnership, of which PAG Asia Alpha GP Limited is the general partner. PAG Asia Alpha GP Limited has the power to make all decisions with respect to PAG Asia Alpha LP. PAG Asia Alpha GP Limited is beneficially owned as to 100.0% by PAG Asia Alpha Limited, which is beneficially owned as to 100.0% by PAG Limited. PAG-P Asia Fund L.P. is a Cayman Islands limited partnership of which PAG-P Management Limited is the general partner. As such, PAG-P Management Limited has the power to make all decisions with respect to PAG-P Asia Fund L.P. PAG-P Management Limited is beneficially owned as to 100.0% by PAG AR Opportunistic Strategies Limited, which is beneficially owned as to 100.0% by PAG Limited. PA Grand Opportunity Limited is a Cayman Islands company which is beneficially owned as to 100.0% by Pacific Alliance Asia Opportunity. Pacific Alliance Asia Opportunity is a Cayman Islands limited partnership of which PAG Asset Management is the general partner. As such, PAG Asset Management has the power to make all decisions with respect to Pacific Alliance Asia Opportunity. PAG Asset Management is beneficially owned as to 100.0% by Pacific Alliance Investment Management. Pacific Alliance Investment Management is beneficially owned as to 90.0% by PAG Limited, which is beneficially owned as to 99.2% by PAG Holdings Limited. Each of PAG Limited and PAG Holdings Limited may thereby be deemed to beneficially own 5,325,205 ordinary shares. Each of Pacific Alliance Investment Management, PAG Asset Management and Pacific Alliance Asia Opportunity may thereby be deemed to beneficially own 4,267,014 ordinary shares. The address of the principal business office of PAG Holdings Limited, PAG Limited, Pacific Alliance Investment Management, PAG Asset Management and Pacific Alliance Asia Opportunity, is located at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

- 16) Includes (i) 2,046,106 ordinary shares held by Dongting Lake Investment Limited, or Dongting, (ii) 2,471,577 ordinary shares held by Morespark Limited, or Morespark, and (iii) 965,000 ordinary shares represented by ADSs owned by THL E Limited, or THL, as reported on Schedule 13D jointly filed by Dongting, Morespark, THL and Tencent Holdings Limited, or Tencent, on June 27, 2016. Each of Dongting, Morespark, THL is a wholly-owned subsidiary of Tencent. Dongting, Morespark, and THL used the working capital of Tencent to acquire their respective ordinary shares. According to the Schedule 13D filing, Tencent may be deemed to have beneficial ownership and sole power to vote or direct the vote of 5,482,683 ordinary shares. The principal address of Tencent is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal address of Dongting is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal address of Morespark is 29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong. The principal address of THL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- 17) Includes 4,673,512 ordinary shares represented by ADSs held by Mr. von Mueffling, as reported on a Schedule 13G/A filed by Mr. von Mueffling, Cantillon Capital Management LLC, or CCM LLC, Cantillon Inc., and Cantillon Management L.P., or Cantillon Management on February 14, 2018. CCM LLC maintains investment and/or voting power with respect to certain funds and managed accounts advised by it or its indirect subsidiary. Cantillon Management is the managing member of CCM LLC. Cantillon Inc. is the general partner of Cantillon Management. Mr. von Mueffling is the sole shareholder of Cantillon Inc. and controls each of CCM LLC, Cantillon Inc. and Cantillon Management. According to the 13G, as amended, each of (i) CCM LLC, Cantillon Inc., Cantillon Management and Mr. von Mueffling may be deemed to beneficially own 4,376,612 ordinary shares and (ii) Mr. von Mueffling may be deemed to beneficially own 296,900 ordinary shares. Each of CCM LLC, Cantillon Inc., Cantillon Management and Mr. von Mueffling disclaims such beneficial ownership. The address of the principal business office of CCM LLC, Cantillon Inc., Cantillon Management and William von Mueffling is 40 West 57th Street, 27th Floor, New York, NY 10019.

As of March 31, 2018, to our knowledge, we had one record holder in the United States, which in the aggregate held 37,439,685 ordinary shares. This record holder in the United States was Citibank, N.A., the depository of our ADS program and 37,439,685 outstanding ordinary shares include 1,317,588 ordinary shares reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans), representing approximately 52.4% of our total outstanding shares. 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 JD.com, Tencent and Baidu

Share Subscription Agreement

We entered into a share subscription agreement with JD.com Global Investment Limited, or JD Global, a wholly owned subsidiary by JD.com, together with Morespark Limited, or Morespark, a special purpose vehicle of Tencent, and Baidu Holdings Limited, or Baidu Holdings, a wholly owned subsidiary by Baidu, on June 6, 2016. Pursuant to this share subscription agreement, we issued to each of JD Global, Morespark and Baidu Holdings 2,471,577 ordinary shares, representing approximately 3.20% of our then outstanding ordinary shares on a fully diluted basis, in consideration for US\$50 million in cash.

We entered into a share subscription agreement with JD.com, JD.com Global Investment Limited, or JD Global, a wholly owned subsidiary by JD.com, together with Dongting Lake Investment Limited, or Dongting, a special purpose vehicle of Tencent on January 9, 2015. Pursuant to this share subscription agreement, we issued to JD Global 15,689,443 ordinary shares, representing approximately 25% of our then outstanding ordinary shares on a fully diluted basis, in consideration for US\$400 million in cash and certain resources material to the JD.com's finished automobile business on February 16, 2015. On the same closing date, we also issued 2,046,106 ordinary shares to Dongting for a total purchase price of US\$150 million in cash.

Business Cooperation Agreement with JD.com

We entered into a business cooperation agreement with JD.com on January 9, 2015. Pursuant to the business cooperation agreement, JD.com has granted us an exclusive right to operate JD.com's finished automobile business, which includes the sale of finished automobiles (including new and used cars) on JD Mall, Paipai, their respective mobile sites and JD.com's mobile apps, as well as the provision of advertising services on JD.com's finished car channels, in mainland China. JD.com has also agreed to provide supports in areas such as traffic support, big data capabilities and technology infrastructure. The term of the business cooperation is five years from April 9, 2015.

Non-compete. During the period of business cooperation, JD.com has agreed not to engage in the business of selling finished automobile (including new and used cars) and providing advertising services relating to finished automobile in mainland China, or control or otherwise be interested in entities or enterprises that engage in such business, nor shall JD.com allow any third-party merchants other than us to operate finished automobile business on its platform.

Investor Rights Agreement

We entered into an amended and restated investor rights agreement with JD Global, Dongting, Morespark and Baidu Holdings on June 17, 2016, or the investor rights agreement. Pursuant to the investor rights agreement, JD Global has received certain board representation rights and certain registration rights, a brief summary of which is set forth below:

Board representation. JD Global is entitled to appoint one director on our board of directors, as long as JD Global holds no less than 12.5% of the then issued and outstanding share capital of Bitauto on a fully diluted basis. The director appointed by JD Global is entitled to serve on the compensation committee and the nominating and corporate governance committee of our board, unless a majority of the board determines in good faith that such service on the committee would violate any applicable law or result in us being not in full compliance with the applicable stock exchange requirements without seeking exemptions. If at any time any representative of any other shareholder has the right to attend the meetings of any committee of the board in a non-voting observer capacity and the director appointed by JD Global is not a member of such committee, the director appointed by JD Global has the right, as a non-voting observer, to attend all meetings of and observe all deliberations of any such committee.

Demand registration rights. Holders of at least 50% of the registrable securities then outstanding have the right to demand that Bitauto file a registration statement covering the registration of registrable securities with a market value in excess of US\$100 million. However, we are not obligated to effect any demand registration if it has already effected a registration within the six-month period preceding the demand. We are obligated to effect only three demand registrations for either JD Global or Dongting. The demand registration rights in the investor rights agreement are subject to customary restrictions, such as limitations on the number of securities to be included in any underwritten offering imposed by the underwriter.

Piggyback registration rights. If we propose to file a registration statement for a public offering of its securities other than a registration statement relating to any employee benefit plan or a corporate reorganization, we must offer holders of our registrable securities an opportunity to include in the registration all or any part of their registrable securities. The demand registration rights in the investor rights agreement are subject to customary restrictions, such as limitations on the number of securities to be included in any underwritten offering imposed by the underwriter.

Form F-3 registration rights. Holders of a majority of the registrable securities then outstanding have the right to request us to effect registration statements on Form F-3. However, we are not obligated to effect any such registration, if the proceeds from the sale of registrable securities (net of underwriters' discounts or commissions) will be less than US\$1.0 million or we have already effected a registration within the six-month period preceding the request.

Expenses of obligations. We will bear all registration expenses incurred in connection with any demand, piggyback or F-3 registration, including reasonable expenses of one legal counsel for the holders, but excluding underwriting discounts and selling commissions and ADS issuance fees charged by our depository bank. Holders of registrable securities will bear such holder's proportionate share (based on the total number of shares sold in such registration other than for our account) of all underwriting discounts and selling commissions or other amounts payable to underwriters or brokers.

Yixin Share Subscription Agreement

We entered into a share subscription agreement with JD Financial Investment Limited, or JD Financial, a wholly-owned subsidiary of JD.com, Dongting and certain other parties on January 9, 2015. The transactions contemplated under the Yixin share subscription agreement were completed on February 16, 2015. We contributed (i) our online financial service platform which links financiers, insurers, automobile dealers and users to provide automobile related financial services to Yixin Group Limited, or Yixin, formerly known as Yixin Capital Limited, in exchange for 13,499,906 ordinary shares of Yixin representing 27.0% of the issued and outstanding equity securities of Yixin on a fully diluted basis, which were issued to our wholly owned subsidiary, Bitauto Hong Kong Limited, and (ii) 100% of the equity interest in Shanghai Yixin Financing Lease Company Limited, our wholly foreign-owned subsidiary, which has been approved to engage in the automobile financial leasing business, and US\$100 million in cash to Yixin, in exchange for 11,534,156 series A preferred shares of Yixin. JD Financial purchased 8,872,428 series A preferred shares for a total purchase price of US\$100 million. In addition, Dongting purchased 13,308,642 series A preferred shares for a total purchase price of US\$150 million.

We entered into a share subscription agreement in respect of the subscription of series B preferred shares of Yixin with JD Financial, Morespark, Baidu Hong Kong Limited, or Baidu Hong Kong, a wholly-owned subsidiary of Baidu, and certain other parties on August 1, 2016. Pursuant to the share subscription agreement, Bitauto Hong Kong Limited invested US\$241 million in exchange for 72,544,580 series B preferred shares, Morespark invested US\$127 million in exchange for 38,229,050 series B preferred shares, JD Financial invested US\$30 million in exchange for 9,030,480 series B preferred shares and Baidu Hong Kong invested US\$90 million in exchange for 27,091,450 series B preferred shares.

We entered into a series of agreements in May 2017 in respect of the subscription of series C preferred shares of Yixin. Tencent Mobility Limited, or Tencent Mobility, a subsidiary of Tencent, and certain other new investors also entered into share subscription agreements. We contributed our used automobile business into Yixin pursuant to certain contribution agreement between Yixin and us. We also agreed to provide traffic support to Yixin and made non-compete undertakings in relation to Yixin's business pursuant to certain business cooperation agreement between Yixin and us. In consideration of our contribution and business cooperation, we were issued 75,234,010 series C preferred shares of Yixin, representing approximately 9.3% of the post-closing issued and outstanding equity securities of Yixin on a fully diluted basis. Pursuant to the share subscription agreement between Yixin, Tencent Mobility, us, as amended, Tencent Mobility invested US\$75 million in exchange for 16,121,570 series C preferred shares.

Yixin Shareholders' Agreement

We entered into an amended and restated shareholders agreement of Yixin in May 2017. Pursuant to the amended and restated shareholders agreement, the board of Yixin consists of up to eight members. Each of Tencent, JD.com and Baidu, through their investing entities, has the right to appoint two, one and one director to the board, respectively, and Bitauto Hong Kong Limited has the right to appoint the other four directors to the board. The preferred shareholders of Yixin, subject to certain conditions, have a preemptive right with respect to any issuance of new shares by Yixin. Furthermore, the shareholders of Yixin have a right of first refusal and a tag-along right with respect to any transfer of shares of Yixin by any shareholder. In addition, holders of a majority of the outstanding ordinary shares of Yixin and holders of at least 70% of the outstanding preferred shares of Yixin have a drag-along right in the case of a trade sale. The shareholders of Yixin also enjoy demand registration rights, piggyback registration rights and Form F-3 registration rights with respect to the registrable securities they hold in Yixin Capital, subject to certain limitations. This agreement has been terminated upon the listing of Yixin on the Hong Kong Stock Exchange on November 16, 2017.

Voting Proxy Agreement

We entered into a voting proxy agreement with Tencent and JD.com on October 31, 2017. Pursuant to the voting proxy agreement, Tencent and JD.com granted us a voting proxy over an aggregate of 10% of Yixin's shares held by Tencent and JD.com, and we shall have the right to vote these shares on all matters in our sole discretion. However, we agree to vote in favor of (i) the appointment of two nominees of Tencent to the board of directors of Yixin for so long as Tencent continues to directly or indirectly hold an equity interest of at least 20% of Yixin, and one nominee of Tencent for so long as Tencent continues to directly or indirectly hold an equity interest of at least 10% of Yixin; and (ii) the appointment of one nominee from JD.com for so long as JD.com continues to directly or indirectly hold an effective interest of at least 10% of Yixin's shares. Without our prior written consent, Tencent and JD.com should not transfer the shares subject to the voting proxy agreement during the term of the voting proxy agreement. The voting proxy agreement will terminate on the earliest of: (i) the second anniversary commencing from November 16, 2017, (ii) we acquire over 50% of Yixin's equity interests, and (iii) our shareholding in Yixin together with shares of Yixin held by Tencent and JD.com that are subject to voting proxy agreement falls below 50%.

Pursuant to the voting proxy agreement, we have a right of first refusal for Yixin's shares held by Tencent and JD.com that were not subject to the voting proxy, if Tencent and JD.com propose to sell those shares during the term of the voting proxy agreement.

Transactions with Related Parties

Purchase from JD.com. JD.com is an ordinary shareholder of us that has significant influence over us. We made purchase from subsidiaries of JD.com in a total amount of RMB35.1 million, RMB22.1 million and RMB40.4 million (US\$6.2 million) for marketing and promotion services in 2015, 2016 and 2017, respectively.

Purchase of services from Eclicks. Shanghai Eclicks Network Co. Ltd., or Eclicks, is an investee of us. In 2015, 2016 and 2017, we purchased advertising services from Eclicks in a total amount of RMB69.6 million, RMB85.8 million and RMB98.5 million (US\$15.1 million), respectively.

Purchase of services from Xinchuang. Beijing Xinchuang Interactive Advertising Company Limited, or Xinchuang is an investee of us in 2015 and 2016. In 2015 and 2016, we purchased advertising services from Xinchuang in a total amount of RMB10.0 million and RMB16.0 million, respectively. In January 2017, we acquired additional equity interest of Xinchuang to obtain control of it and Xinchuang became a subsidiary of us as of December 31, 2017.

Purchase of services from Jingzhengu. Beijing Jingzhengu Information Technology Co., Limited, or Jingzhengu is an investee of the us. In 2016 and 2017, we purchased used car valuation services from Jingzhengu in a total amount of RMB3.4 million and RMB14.4 million (US\$2.2 million), respectively.

Purchase of services from Chetuan. Chetuan E-Commerce Limited, or Chetuan, is an investee of us. In 2016, we purchased automobile transaction services from a subsidiary of Chetuan in a total amount of RMB86.6 million.

Services provided to Chetuan. In 2015, 2016 and 2017, we provided automobile transaction services to a subsidiary of Chetuan for a total amount of RMB168.3 million, RMB79.6 million and RMB9.8 million (US\$1.5 million), respectively.

Services provided to TTP. TTP CAR INC., or TTP, is an investee of us. In 2015, 2016 and 2017, we provided advertising services to TTP for a total amount of RMB10.0 million, RMB32.1 million and RMB15.3 million (US\$2.3 million), respectively.

Services provided to Xinchuang. In 2015 and 2016, we provided advertising services to Xinchuang for a total amount of RMB86.3 million and RMB79.9 million.

Services provided to Anxinbao. Beijing Anxinbao Insurance Brokerage Co., Limited, or Anxinbao is an investee of us. In 2017, we provided other transaction services to Anxinbao for a total amount of RMB14.2 million (US\$2.2 million).

Contractual Arrangements with our PRC Variable Interest Entities and Their Shareholders

The following is a summary of the currently effective contractual arrangements with our significant variable interest entities:

Agreements that Provide Us with Effective Control over Our PRC Variable Interest Entities

Loan Agreements

As part of the contractual arrangements for BBIT, each shareholder of BBIT entered into a loan agreement with BBII, pursuant to which BBII agreed to provide interest-free loans to each of the shareholders of BBIT. The purpose of the loans is to provide capital and/or registered capital to our PRC variable interest entities in order to develop their businesses.

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

Irrevocable Power of Attorney

Each shareholder of BBII or Beijing Yixin executed an irrevocable power of attorney, appointing the relevant PRC subsidiary or a person designated by such PRC subsidiary as his or her attorney-in-fact to attend shareholders' meetings of BBII or Beijing Yixin, exercise all the shareholder's voting rights, including but not limited to the sale, transfer, pledge or disposition of the shareholder's equity interest in the variable interest entity, and designate or appoint legal representatives, directors and officers of the relevant variable interest entity. Each power of attorney remains valid and irrevocable from the date of execution so long as the person remains to be the shareholder of the respective variable interest entity.

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 August 20, 2017, Beijing KKC entered into equity interest pledge agreements with Beijing Yixin and each of Beijing Yixin's shareholders. Pursuant to the equity interest pledge agreements, each shareholder of Beijing Yixin agrees to pledge their respective equity interests in Beijing Yixin to secure Beijing Yixin and its shareholders' performance of all of their obligations under the power of attorney executed by such shareholder of Beijing Yixin, the exclusive option agreement between Beijing KKC, Beijing Yixin and its shareholders and the exclusive business cooperation agreement between Beijing KKC and Beijing Yixin as described below.

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 relevant exclusive business cooperation agreement or all the obligations under the relevant contractual agreements, as the case may be, have been fulfilled by the respective variable interest entity. During the term of a pledge, the relevant PRC subsidiaries, the pledgees, may dispose of the pledge if the variable interest entity defaults under the exclusive business cooperation agreement. Each of the relevant PRC subsidiaries 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 variable interest entities agreed not to transfer or create any new encumbrance adverse to the relevant PRC subsidiaries on the shareholder's equity interest in such variable interest entities without prior written consent of the relevant PRC subsidiaries. We have registered the pledges of the shares or equity interests in BBIT and Beijing Yixin with the local administration for industry and commerce.

Agreements that Transfer Economic Benefits from Our PRC Variable Interest Entities 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. BBII follows the commonly used methodology, which is to charge service fees based on each variable interest entity's revenues reduced by its turnover taxes, such as business taxes, value-added taxes and other surcharges, cost of revenues, operating expenses and an appropriate amount of retained profit that is determined pursuant to tax planning strategies and relevant tax laws. 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.

On August 20, 2017, Beijing KKC entered into an exclusive business cooperation agreement with Beijing Yixin, pursuant to which Beijing KKC agreed to provide Beijing Yixin on an exclusive basis with technical, consulting and other services in relation to Beijing Yixin's automobile related financing business. In return, Beijing Yixin agreed to pay Beijing KKC service fees, which shall consist of an amount to be determined by Beijing KKC and Beijing Yixin in writing on the basis of considering several metrics including (i) the complexity and difficulty of the services; (ii) the title and the time spent by employees of Beijing KKC on providing the services; (iii) the contents and value of the services; (iv) the market price of similar type of services; (v) the operation conditions of the Consolidated Affiliated Entity; and (vi) the necessary costs, expenses, taxes and statutory reserves or retaining funds. The agreement remains effective unless Beijing KKC terminates in writing or either Beijing KKC or Beijing Yixin fails to obtain the government's approval on the renewal of the business license. Each of Beijing KKC and Beijing Yixin must renew its operation term prior to the expiration thereof so as to enable the agreement to remain effective.

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, BBIT and BBIT's shareholders dated March 9, 2006.

On August 20, 2017, Beijing KKC entered into exclusive option agreements with Beijing Yixin and each of Beijing Yixin's shareholders. Pursuant to these agreements, each of Beijing Yixin's shareholders irrevocably granted Beijing KKC an exclusive right to purchase, or designate one or more persons to purchase, the equity interests in Beijing Yixin then held by such shareholder of Beijing Yixin. Beijing Yixin 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. The purchase price for the equity interests of each shareholder equals to the capital contribution paid in the registered capital of Beijing Yixin by Beijing Yixin's such shareholder. If the appraisal is required by the PRC law, the purchase price may be adjusted based on the appraisal. Each shareholder undertakes to donate the applicable purchase price (exclusive of the relevant taxes) to Beijing KKC or any person designated by Beijing KKC. The agreement remains effective until all the equity interests held by the shareholder of Beijing Yixin have been transferred or assigned to Beijing KKC or any other persons designated by Beijing KKC.

We have also entered into contractual arrangements with several other variable interest entities and their respective nominee shareholders through our subsidiaries. Our contractual agreements with these other variable interest entities contain key terms substantially similar to those in the agreements with our significant variable interest entities, which results in these subsidiaries being the primary beneficiary of the relevant variable interest entities.

As a result of these contractual arrangements, we control our variable interest entities and have consolidated the financial information of these variable interest entities and their subsidiaries into our consolidated financial statements in accordance with U.S. GAAP. 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 variable interest entities, 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 “—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 24.”

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

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We are currently not involved in any legal or administrative proceedings that may have a material adverse impact on 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 subsidiaries, and our variable interest entities. We rely principally on dividends paid to us by our PRC subsidiaries 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 retained earnings 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 on PRC accounting standards to its statutory general reserves each year until the accumulative amount of the reserves reaches 50% of its registered capital. Our operating subsidiaries, as foreign-invested enterprises, are 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.

Our operating subsidiaries had retained earnings amounting to RMB2.26 billion (US\$348.1 million) as of December 31, 2017 pursuant to PRC Accounting Standards. Therefore, our operating subsidiaries appropriated reserves amounting to RMB153.5 million (US\$23.6 million) as of December 31, 2017. The accounting policies applied by our operating subsidiaries in preparing their financial statements under PRC accounting standards are materially consistent with our accounting policies under U.S. GAAP. There is no material difference between the retained earnings of our operating subsidiaries determined under PRC accounting standards and the retained earnings of our operating subsidiaries consolidated by us under U.S. GAAP. For a description of how earnings are transferred from our PRC subsidiaries, and our variable interest entities to us, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with our PRC Variable Interest 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 depositary 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 LISTINGA. 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\$
2015	95.00	22.00
2016	33.16	16.09
First Quarter of 2016	28.38	16.09
Second Quarter of 2016	28.60	17.50
Third Quarter of 2016	33.16	24.66
Fourth Quarter of 2016	31.75	16.56
2017		
First Quarter of 2017	26.80	18.04
Second Quarter of 2017	34.18	23.22
Third Quarter of 2017	47.82	27.51
Fourth Quarter of 2017	54.42	27.33
Monthly Highs and Lows		
October 2017	54.42	43.88
November 2017	53.37	29.68
December 2017	32.96	27.33
2018		
Monthly Highs and Lows		
January 2018	39.54	31.05
February 2018	34.56	25.41
March 2018	32.20	19.66
April 2018 (through April 26, 2018)	22.49	18.47

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATIONA. 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 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 Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205 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. Our board 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 attaching to the ordinary shares cast in a general meeting. 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 *pari passu* amongst the holders of ordinary shares in proportion to the capital paid up on the shares held. 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 the holders of ordinary shares in proportion to the capital paid up or ought to have been paid up on the shares held.

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 “Item 10 Additional Information—H. Documents on Display.”

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

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company,” and “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

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 except for a double tax treaty entered into with the United Kingdom in 2010. 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-Cabinet:

- (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 subsidiaries, controlling equity interests in our subsidiaries in the PRC. Our business operations are principally conducted through our PRC subsidiaries and their variable interest entities 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 apply to China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiaries to its overseas parent company 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 subsidiaries own controlling interests of our PRC subsidiaries, under the aforesaid arrangement, any dividends that our PRC subsidiaries pay our Hong Kong subsidiaries may be subject to a withholding tax at the rate of 5% if our Hong Kong subsidiaries are 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 subsidiaries are not considered to be the beneficial owners of such dividends under the Circular 9 issued by the SAT in February 2018 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 subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders or ADS holders.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

On February 3, 2015, the State Administration of Taxation issued Public Notice 7, which partially replaced and supplemented previous rules under Circular 698. On October 17, 2017, the SAT issued SAT Bulletin 37, which came into effect on December 1, 2017 and concurrently abolished Circular 698. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests or other taxable assets in a PRC resident enterprise by a non-resident enterprise. Under Public Notice 7 and SAT Bulletin 37, where a non-resident enterprise transfers the equity interests or other taxable assets of a PRC “resident enterprise” indirectly by disposition of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority this “indirect transfer.” Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. We face uncertainties on the reporting and consequences on private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. We and our non-resident investors may be at risk of being required to file a return and being taxed under Public Notice 7 and SAT Bulletin 37, and we may be required to expend valuable resources to comply with Public Notice 7 and SAT Bulletin 37 or to establish that we should not be taxed under these circulars.

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 SAT 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 provinces, including Beijing, Tianjin, Zhejiang Province (including Ningbo), Anhui Province, Guangdong Province (including Shenzhen), Fujian Province (including Xiamen), Hubei Province and Jiangsu province. The VAT Pilot Program has been rolled out to the whole country since August 1, 2013. On April 29, 2014, the PRC Ministry of Finance and the SAT issued the Circular on the Inclusion of Telecommunications Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax. On March 23, 2016, the PRC Ministry of Finance and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax. Effective from May 1, 2016, the PRC tax authorities will collect value-added tax in lieu of business tax on a trial basis within the territory of China, and in industries such as construction industries, real estate industries, financial industries, and living service industries.

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 have been subject to a 6% or 17% value-added tax since the respective effective time of the VAT Pilot Program 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—Risks Related to Our Corporate Structure—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 ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds 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 Internal Revenue Service (“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 holders in light of their individual investment circumstances, including holders subject to special tax rules that differ significantly from those summarized below (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 stock (by vote or value), holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, holders who 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 holders who have a functional currency other than the United States dollar). In addition, this summary does not discuss any United States federal estate, gift, Medicare, alternative minimum tax or other non-income tax consequences or any non-United States, 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 relating to the ownership and disposition of 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 their ownership and disposition of our ADSs or ordinary shares.

It is generally expected that a U.S. Holder of ADSs should be treated as the beneficial owner, for United States federal income tax purposes, of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of our ordinary shares for our ADSs will not be subject to United States federal income tax.

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 (the “asset test”). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, 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 our PRC variable interest entities 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.

Assuming we are the owner of our PRC variable interest entities for U.S. federal income tax purposes, and based on our income, assets, and the market price of our ADSs, we believe that we were a PFIC for the taxable year ending December 31, 2017. In addition, we will very likely be classified as a PFIC for our current taxable year ending December 31, 2018, and for future taxable years.

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 even if we cease to be a PFIC in subsequent years (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. As discussed above, we believe that we were a PFIC for the taxable year ending December 31, 2017, and will very likely be classified as a PFIC for our current taxable year ending December 31, 2018, and for future taxable years. 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. Our ADSs are listed on the New York Stock Exchange and will be considered readily tradable on an established securities market in the United States for as long as the ADSs continue to be listed on such exchange. Thus, we believe that we will be a qualified foreign corporation with respect to dividends we pay on our ADSs, though no assurances can be given with respect to our ADSs in this regard.

Since we do not expect that our ordinary shares will be listed on established securities markets, it is unclear whether dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. However, in the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation”), we may be eligible for the benefits of the United States-PRC income tax treaty (which the Secretary of the Treasury of the United States has determined is satisfactory for this purpose) and be treated as a qualified foreign corporation with respect to dividends we pay on our ADSs or ordinary shares, regardless of whether such shares are represented by the ADSs. You are urged to consult your tax advisor regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends-received deduction allowed to corporations.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes and generally will constitute passive category income. In the event 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, if any, on our ADSs or ordinary shares. 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 gain or loss 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 may be subject to limitations. In the event that we are treated as a PRC resident enterprise under the PRC Enterprise Income Tax Law, and 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 for United States foreign tax credit purposes 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

As discussed above, we believe that we were a PFIC for the taxable year ending December 31, 2017, and will very likely be classified as a PFIC for our current taxable year ending December 31, 2018, and for future taxable years. 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 under certain circumstances 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;
- the amount 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 (each, a “pre-PFIC year”) will be taxable as ordinary income;
- the amount 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 prior taxable years, other than a pre-PFIC year.

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 (a “lower-tier PFIC”), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such lower-tier 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” 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, provided such stock is regularly traded on a qualified exchange, including the New York Stock Exchange. We anticipate that our ADSs should qualify as being regularly traded on the New York Stock Exchange, but no assurances may be given in this regard. 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.

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 election, which, if available, would result in tax treatment different from 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 U.S. Holder, the U.S. Holder will generally 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 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

Certain U.S. holders are required to report information to the IRS relating to an interest in “specified foreign financial assets,” including shares issued by a non-United States corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds US\$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a United States financial institution). These rules also impose penalties if a U.S. holder is required to submit such information to the IRS and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or ordinary shares. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their particular circumstances.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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 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 U.S. GAAP, 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.

I. 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 currencies of our holding company Bitauto Holdings Limited and our subsidiaries outside of China are U.S. dollar and Hong Kong dollar, while the functional currency of our PRC subsidiaries and variable interest entities 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 Hong Kong dollar 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. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The depreciation of the Renminbi against the U.S. dollar was approximately 4.4% and 7.2% in 2015 and 2016, respectively. The appreciation of the Renminbi against the U.S. dollar was approximately 6.3% in 2017. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. Because the Hong Kong dollar is pegged with the U.S. dollar, the fluctuation experienced in converting between Renminbi and U.S. dollar is similar to that in Hong Kong dollars.

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.

As of December 31, 2017, we had RMB-denominated cash, cash equivalents and restricted cash of RMB4.95 billion, HKD-denominated cash and cash equivalents of HKD3.35 billion, and U.S. dollar-denominated cash, cash equivalents and restricted cash of US\$503.7 million. Assuming we had converted RMB4.95 billion into U.S. dollars at the exchange rate of RMB6.5063 for US\$1.00 as of December 29, 2017, our U.S. dollar cash balance would have been US\$1.26 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$1.20 billion instead. Assuming we had converted US\$503.7 million into RMB at the exchange rate of RMB6.5063 for US\$1.00 as of December 29, 2017, our RMB cash balance would have been RMB8.23 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB8.56 billion instead.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash and interest charge resulted from borrowing. 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.

Our 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. Our interest-bearing financial assets comprised primarily of cash deposits at floating rates based on Hong Kong Interbank Offered Rate and People's Bank of China daily bank deposit rates.

For the years ended December 31, 2015, 2016 and 2017, interest income from cash deposits was approximately RMB25.0 million, RMB41.7 million and RMB93.0 million (US\$14.3 million). The weighted average interest rate on our cash deposits is 1.07%, 0.76% and 1.00% for the years ended December 31, 2015, 2016 and 2017. 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 RMB55.2 million (US\$8.5 million), respectively, based on the cash, cash equivalents, time deposit and restricted cash balance at December 31, 2017.

Our interest-bearing financial liabilities comprised primarily of borrowings at fixed rates or variable rates. Borrowings at fixed rates do not expose us to interest rate risk. For borrowings at variable rates, interest charge incurred for the years ended December 31, 2015, 2016 and 2017 was nil, RMB24.3 million and RMB219.3 million (US\$33.7 million). With all other variables held constant, a 0.5% increase or decrease in annual interest rates would increase or decrease interest charge by RMB26.8 million (US\$4.1 million), respectively, based on the balance of borrowings at variable rates as of December 31, 2017.

See Item 18 "Financial Statements—Notes to the financial statements—Note 26."

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

All fees and charges may, at any time and from time to time, be changed by agreement between the depository and us but, in the case of fees and charges payable by holders or beneficial owners of our ADSs, only in the manner contemplated by paragraph (22) of the ADR and as contemplated in the deposit agreement. The depository will provide, without charge, a copy of its latest fee schedule to anyone upon request.

Depository fees payable upon (i) deposit of shares against issuance of ADSs and (ii) surrender of ADSs for cancellation and withdrawal of deposited securities will be charged by the depository to the person to whom the ADSs so issued are delivered (in the case of ADS issuances) and to the person who delivers the ADSs for cancellation to the depository (in the case of ADS cancellations). In the case of ADSs issued by the depository into DTC or presented to the depository via DTC, the ADS issuance and cancellation fees will be payable to the depository by the DTC Participant(s) receiving the ADSs from the depository or the DTC participant(s) surrendering the ADSs to the depository for cancellation, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account(s) of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participant(s) as in effect at the time. Depository fees in respect of distributions and the depository services fee are payable to the depository by ADS holders as of the applicable ADS record date established by the depository. In the case of distributions of cash, the amount of the applicable depository fees is deducted by the depository from the funds being distributed. In the case of distributions other than cash and the depository service fee, the depository will invoice the applicable ADS holders as of the ADS record date established by the depository. For ADSs held through DTC, the depository fees for distributions other than cash and the depository service fee are charged by the depository to the DTC participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC participants in turn charge the amount of such fees to the beneficial owners for whom they hold ADSs.

The depository may remit to us all or a portion of the depository fees charged for the reimbursement of certain expenses incurred by us in respect of the ADR program established pursuant to the deposit agreement upon such terms and conditions as we and the depository may agree from time to time. We will pay to the depository such fees and charges and reimburse the depository for such out-of-pocket expenses as the depository and we may agree from time to time. Responsibility for payment of such charges and reimbursements may from time to time be changed by agreement between us and the depository. The charges and expenses of the custodian are for the sole account of the depository.

The right of the depository to receive payment of fees, charges and expenses as provided above shall survive the termination of the deposit agreement. As to any depository, upon the resignation or removal of such depository as described in section 5.4 of the deposit agreement, such right shall extend for those fees, charges and expenses incurred prior to the effectiveness of such resignation or removal.

<u>Service</u>	<u>Fees</u>
• Issuance of ADSs	Up to US\$5¢ per ADS issued
• Cancellation of ADSs	Up to US\$5¢ per ADS canceled
• Distribution of cash dividends or other cash distribution	Up to US\$5¢ per ADS held
• Distribution of ADSs pursuant to stock dividends, free stock distribution or exercise of rights	Up to US\$5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$5¢ per ADS held
• Depository services	Up to US\$5¢ per ADS held on the applicable record date(s) established by the depository bank
• Transfer of ADSs	US\$1.50 per certificate presented for transfers

ADS holders 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.

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\$2.5 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 ADR 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. We received net proceeds of approximately US\$35.9 million from our follow-on offering after deducting expenses. For the period from the completion of our initial public offering to December 31, 2017, we used the net proceeds received from our public offerings as follows:

- approximately US\$10.0 million to repurchase ADSs from the open market; and
- the remainder for general corporate purposes, including strategic investment, establishment of new entities, acquisitions of assets and capital increase for business development.

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, 2017, 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 reporting 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 of 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 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. 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 (2013) issued by the Committee on Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework (2013), our management concluded that, as of December 31, 2017, 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 U.S. GAAP. Our management has excluded Beijing Xinchuang Interactive Advertising Company Limited, or Xinchuang, from its assessment of internal control over financial reporting as of December 31, 2017. The total assets and total revenue of Xinchuang excluded from management's assessment represent 0.1% and 0.3% of the related consolidated financial statement amounts as of and for the year ended December 31, 2017, respectively.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, as stated in its report included on page F-2.

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 Jun Hou, 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) 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 PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, for the years ended December 31, 2016 and 2017. We did not pay any other fees to our independent registered public accounting firms during the periods indicated below.

	For the Year Ended December 31,	
	2016	2017
	(In US\$ thousands)	
Audit fees ⁽¹⁾	2,160	1,383
Audit-related fees ⁽²⁾	170	3,676
Tax fees ⁽³⁾	72	420
Other service fees ⁽⁴⁾	-	347

- 1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firms for the audit of our annual financial statements (including the attestation and reporting on the effectiveness of our internal control over financial reporting).
- 2) "Audit-related fees" represents aggregate fees billed for professional services rendered by our independent registered public accounting firms for assurance and related services, which mainly included the audit and related service fees for our subsidiaries for the year ended December 31, 2017.
- 3) "Tax fees" represents the aggregated fees billed for professional services rendered by our independent registered public accounting firms for tax compliance, tax advice, and tax planning.
- 4) "Other service fees" represents the aggregated fees billed for professional services rendered by our independent registered public accounting firms for buy-side due diligence service.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by independent auditors, 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

Not applicable.

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 nominating and corporate governance 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 have elected to follow home country practice with respect to the above. Other than these practices, there have been no significant differences between our corporate governance practices and those followed by U.S. domestic companies under the requirements of NYSE rules, except that during the period from February 16, 2015 to March 4, 2015, our audit committee was comprised of only two members, both of whom were independent directors.

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

Exhibit Number	Description of Document
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))

**Exhibit
Number****Description of Document**

- | Exhibit
Number | Description of Document |
|---------------------------|--|
| 4.3 | 2012 Share Incentive Plan (incorporated herein by reference to Exhibit 4.3 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.4 | 2016 Share Incentive Plan (incorporated herein by reference to Exhibit 4.4 to the Form 20-F filed on April 28, 2017 (File No. 001- 34947)) |
| 4.5 | 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)) |
| 4.6 | 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)) |
| 4.7 | Exclusive Business Cooperation Agreement between BBII and BBIT (incorporated herein by reference to Exhibit 4.6 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.8 | Exclusive Option Agreement among BBII, BBIT and a shareholder of BBIT (incorporated herein by reference to Exhibit 4.7 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.9 | Share Pledge Agreement among BBII, BBIT and a shareholder of BBIT (incorporated herein by reference to Exhibit 4.8 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.10 | Loan Agreement between BBII and a shareholder of BBIT (incorporated herein by reference to Exhibit 4.9 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.11 | Exclusive Business Cooperation Agreement between BBII and BEAM (incorporated herein by reference to Exhibit 4.10 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.12 | Exclusive Option Agreement among BBII, BEAM and a shareholder of BEAM (incorporated herein by reference to Exhibit 4.11 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.13 | Equity Interest Pledge Agreement among BBII, BEAM and a shareholder of BEAM (incorporated herein by reference to Exhibit 4.12 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.14 | Loan Agreement between BBII and a shareholder of BEAM (incorporated herein by reference to Exhibit 4.13 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.15 | Power of Attorney by the shareholders of each PRC variable interest entity (except Beijing Xinbao Information Technology Company Limited and Beijing Yixin Information Technology Company Limited) (incorporated herein by reference to Exhibit 4.14 to the Form 20-F filed on April 26, 2013 (File No. 001- 34947)) |
| 4.16 | Exclusive Business Cooperation Agreement between BBII and Beijing Xinbao dated September 15, 2015 (incorporated herein by reference to Exhibit 4.15 to the Form 20-F filed on April 28, 2016 (File No. 001- 34947)) |
| 4.17 | Loan Agreement between BBII and the shareholder of Beijing Xinbao dated September 15, 2015 (incorporated herein by reference to Exhibit 4.16 to the Form 20-F filed on April 28, 2016 (File No. 001- 34947)) |
| 4.18 | Exclusive Option Agreement among BBII, Beijing Xinbao and the shareholder of Beijing Xinbao dated September 15, 2015 (incorporated herein by reference to Exhibit 4.17 to the Form 20-F filed on April 28, 2016 (File No. 001- 34947)) |
| 4.19 | Equity Interest Pledge Agreement among BBII, Beijing Xinbao and the shareholder of Beijing Xinbao dated September 15, 2015 (incorporated herein by reference to Exhibit 4.18 to the Form 20-F filed on April 28, 2016 (File No. 001- 34947)) |

**Exhibit
Number****Description of Document**

- [4.20](#) [Power of Attorney by the shareholder of Beijing Xinbao dated September 15, 2015 \(incorporated herein by reference to Exhibit 4.19 to the Form 20-F filed on April 28, 2016 \(File No. 001- 34947\)\)](#)
- [4.21](#) [Exclusive Business Cooperation Agreement between Beijing KKC and Beijing Yixin dated August 10, 2017 \(incorporated herein by reference to Exhibit 4.20 to the Form 20-F filed on April 28, 2016 \(File No. 001- 34947\)\)](#)
- [4.22](#) [Exclusive Option Agreements among Beijing KKC, Beijing Yixin and each shareholder of Beijing Yixin dated August 10, 2017 \(incorporated herein by reference to Exhibit 4.21 to the Form 20-F filed on April 28, 2016 \(File No. 001- 34947\)\)](#)
- [4.23](#) [Equity Interest Pledge Agreements among Beijing KKC, Beijing Yixin and each shareholder of Beijing Yixin dated August 10, 2017 \(incorporated herein by reference to Exhibit 4.22 to the Form 20-F filed on April 28, 2016 \(File No. 001- 34947\)\)](#)
- [4.24](#) [Power of Attorney by each shareholder of Beijing Yixin dated August 10, 2017 \(incorporated herein by reference to Exhibit 4.23 to the Form 20-F filed on April 28, 2016 \(File No. 001- 34947\)\)](#)
- [4.25](#) [Subscription Agreement by and among the Registrant, JD.com Global Investment Limited, JD.com, Inc. and Dongting Lake Investment Limited dated January 9, 2015 \(incorporated herein by reference to Exhibit 4.15 to the Form 20-F filed on April 20, 2015 \(File No. 001- 34947\)\)](#)
- [4.26](#) [English translation of Business Cooperation Agreement between the Registrant and JD.com, Inc., dated January 9, 2015 \(incorporated herein by reference to Exhibit 4.16 to the Form 20-F filed on April 20, 2015 \(File No. 001- 34947\)\)](#)
- [4.27](#) [Share Subscription Agreement by and among the Registrant, Yixin Capital Limited, Dongting Lake Investment Limited, JD Financial Investment Limited and Hammer Capital Management Limited dated January 9, 2015 \(incorporated herein by reference to Exhibit 4.18 to the Form 20-F filed on April 20, 2015 \(File No. 001- 34947\)\)](#)
- [4.28](#) [Share Subscription Agreement by and among the Registrant, JD.com Global Investment Limited, Morespark Limited, and Baidu Holdings Limited dated June 6, 2016 \(incorporated herein by reference to Exhibit 4.28 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.29](#) [Amended and Restated Investor Rights Agreement by and among the Registrant, JD.com Global Investment Limited, Dongting Lake Investment Limited, Morespark Limited and Baidu Holdings Limited dated June 17, 2016 \(incorporated herein by reference to Exhibit 4.29 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.30](#) [Share Subscription Agreement by and among the Registrant, Yixin Capital Limited, JD Financial Investment Limited, Morespark Limited, Baidu Hong Kong Limited and other investors and parties listed therein dated August 1, 2016 \(incorporated herein by reference to Exhibit 4.30 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.31](#) [Convertible Note Purchase Agreement by and among the Registrant, PA Grand Opportunity Limited and other purchasers named therein dated June 6, 2016, as amended \(incorporated herein by reference to Exhibit 4.31 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.32](#) [Registration Rights Agreement by and among the Registrant, PA Grand Opportunity Limited and other investors named therein dated August 2, 2016 \(incorporated herein by reference to Exhibit 4.32 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.33](#) [Shareholders' Agreement by and among Bitauto Hong Kong Limited, Yixin Capital Limited, Dongting Lake Investment Limited, Morespark Limited, JD Financial Investment Limited and other investors and parties listed therein dated August 19, 2016 \(incorporated herein by reference to Exhibit 4.33 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)

**Exhibit
Number****Description of Document**

- [4.34 Exclusive Option Agreements among Beijing Kankanche Science & Technology Co., Limited \(Beijing KKC\), Beijing Kankanche Information Technology Co., Limited \(Beijing KKC Information\) and each shareholder of Beijing KKC Information, dated August 5, 2014 \(incorporated herein by reference to Exhibit 4.34 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.35 Equity Interest Pledge Agreements among Beijing KKC, Beijing KKC Information and each shareholder of Beijing KKC Information, dated August 5, 2014 \(incorporated herein by reference to Exhibit 4.35 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.36 Loan Agreements between Beijing KKC and each shareholder of Beijing KKC Information, dated August 5, 2014 \(incorporated herein by reference to Exhibit 4.36 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.37 Power of Attorneys by each shareholder of Beijing KKC, dated August 5, 2014 \(incorporated herein by reference to Exhibit 4.37 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.38 Exclusive Business Cooperation Agreement between Beijing KKC and Beijing KKC Information dated August 5, 2014 \(incorporated herein by reference to Exhibit 4.38 to the Form 20-F filed on April 28, 2017 \(File No. 001- 34947\)\)](#)
- [4.39* Series C Preference Shares Subscription Agreement by and among the Registrant, Yixin Capital Limited and Tencent Mobility Limited dated May 11, 2017](#)
- [4.40* Amendment to Series C Preference Shares Subscription Agreement by and among the Registrant, Yixin Capital Limited and Tencent Mobility Limited dated May 25, 2017](#)
- [4.41* Second Amended and Restated Shareholders Agreement by and among the Registrant, Yixin Capital Limited, Tencent Mobility Limited and other parties listed therein dated May 26, 2017](#)
- [4.42* Contribution Agreement between the Registrant and Yixin Capital Limited dated May 11, 2017.](#)
- [4.43* Voting Agreement by and among the Registrant, Tencent Holdings Limited and JD.com, Inc. dated October 31, 2017.](#)
- [4.44* Termination Agreement by and among BBII, CIG, BBIT, Bin Li and Weihai Ou dated June 26, 2017.](#)
- [4.45* Investment Agreement by and among Gain Loyal Limited, BBII, CIG and its shareholders dated November 1, 2017.](#)
- [8.1* List of Significant Subsidiaries and Variable Interest Entities](#)
- [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](#)

Exhibit Number	Description of Document
15.1*	Consent of Han Kun Law Offices
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* 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/ Xuan Zhang

Name: Xuan Zhang

Title: Chief Executive Officer

Date: April 27, 2018

BITAUTO HOLDINGS LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

BITAUTO HOLDINGS LIMITED
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets as of December 31, 2016 and 2017</u>	<u>F-4 - F-5</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2016 and 2017</u>	<u>F-6</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2016 and 2017</u>	<u>F-7 - F-8</u>
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2015, 2016 and 2017</u>	<u>F-9 - F-11</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-12 - F-71</u>

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Bitauto Holdings Limited:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Bitauto Holdings Limited and its subsidiaries (the “Company”) as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, cash flows and changes in shareholders’ equity for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15 of the Form 20-F. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management has excluded Beijing Xinchuang Interactive Advertising Company Limited (“Xinchuang”) from its assessment of internal control over financial reporting as of December 31, 2017 because it was acquired by the Company in a purchase business combination during 2017. We have also excluded Xinchuang from our audit of internal control over financial reporting. Xinchuang is a subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 0.1% and 0.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 27, 2018

We have served as the Company's auditor since 2015.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	Notes	2016 RMB	2017 RMB
Assets			
Current assets			
Cash and cash equivalents		2,021,989	9,555,027
Time deposits		2,000	-
Restricted cash		5,475,576	811,596
Accounts receivable, net	6	2,068,615	2,854,410
Bills receivable		110,236	330,544
Prepayments and other receivables	7	611,675	1,103,683
Due from related parties	25	409,091	205,031
Finance receivables - current portion, net	13	5,758,275	13,253,898
Other current assets		17,502	3,180
Total current assets		<u>16,474,959</u>	<u>28,117,369</u>
Non-current assets			
Restricted cash		150,000	672,736
Investment in equity investees	9	1,447,472	1,184,196
Property, plant and equipment, net	10	194,560	1,296,196
Intangible assets, net	11	2,342,840	1,726,321
Deferred tax assets	22	17,387	52,508
Goodwill	12	444,933	543,655
Finance receivables - non-current portion, net	13	7,924,760	16,537,707
Other non-current assets	14	937,845	1,385,044
Total non-current assets		<u>13,459,797</u>	<u>23,398,363</u>
Total assets		<u>29,934,756</u>	<u>51,515,732</u>
Liabilities			
Current liabilities (including amounts of the consolidated VIEs and subsidiaries of VIEs without recourse to the primary beneficiaries of RMB4,307,570 and RMB3,655,453 as of December 31, 2016 and 2017, respectively)			
Short term borrowings	15	5,736,026	11,243,614
Asset-backed securitization debt	16	2,799,958	6,165,429
Accounts payable		1,603,577	2,176,627
Bills payable		-	295,089
Income tax payable		132,815	172,018
Due to related parties	25	84,447	98,241
Other payables and accruals	18	1,597,093	2,548,221
Total current liabilities		<u>11,953,916</u>	<u>22,699,239</u>
Non-current liabilities			
Long term borrowings	15	1,582,971	5,074,273
Asset-backed securitization debt	16	1,630,663	2,611,821
Convertible debt	17	859,166	707,854
Deferred tax liabilities	22	51,617	52,237
Other non-current liabilities		94,712	132,637
Total non-current liabilities		<u>4,219,129</u>	<u>8,578,822</u>
Total liabilities		<u>16,173,045</u>	<u>31,278,061</u>

The accompanying notes are an integral part of the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	Notes	2016 RMB	2017 RMB
Commitments and contingencies	26		
Redeemable noncontrolling interests	19	3,939,646	301,953
Bitauto Holdings Limited shareholders' equity			
Ordinary shares (US\$0.00004 par value; 1,250,000,000 shares authorized as of December 31, 2016 and 2017, respectively; 70,726,025 shares issued and outstanding as of December 31, 2016; 72,739,966 shares issued and outstanding as of December 31, 2017, respectively)		19	19
Additional paid-in capital		8,903,759	12,220,493
Treasury shares		(41,888)	(20,411)
Statutory reserves		89,841	153,538
Accumulated other comprehensive income		742,302	468,257
Accumulated deficit		(150,515)	(1,493,209)
Total Bitauto Holdings Limited shareholders' equity		<u>9,543,518</u>	<u>11,328,687</u>
Noncontrolling interests		278,547	8,607,031
Total shareholders' equity		<u>9,822,065</u>	<u>19,935,718</u>
Total liabilities, redeemable noncontrolling interests and shareholders' equity		<u>29,934,756</u>	<u>51,515,732</u>

The accompanying notes are an integral part of the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	Notes	2015 RMB	2016 RMB	2017 RMB
Revenue	20	4,254,195	5,772,948	8,751,259
Cost of revenue		(1,450,744)	(2,077,979)	(3,234,680)
Gross profit		<u>2,803,451</u>	<u>3,694,969</u>	<u>5,516,579</u>
Selling and administrative expenses		(3,013,997)	(3,417,811)	(6,059,046)
Product development expenses		(312,100)	(457,367)	(565,702)
Other gains, net	21	<u>60,508</u>	<u>70,981</u>	<u>31,576</u>
Loss from operations		<u>(462,138)</u>	<u>(109,228)</u>	<u>(1,076,593)</u>
Interest income		24,980	41,651	93,025
Interest expense		(8,140)	(52,155)	(92,633)
Share of results of equity investees		(16,663)	(25,640)	(71,866)
Investment income/(loss)		<u>141,195</u>	<u>(45,012)</u>	<u>(75,097)</u>
Loss before tax		<u>(320,766)</u>	<u>(190,384)</u>	<u>(1,223,164)</u>
Income tax expense	22	<u>(64,518)</u>	<u>(147,569)</u>	<u>(203,824)</u>
Net loss		<u>(385,284)</u>	<u>(337,953)</u>	<u>(1,426,988)</u>
Net income/(loss) attributable to noncontrolling interests		7,898	(1,895)	(147,991)
Accretion to redeemable noncontrolling interests		<u>113,810</u>	<u>205,287</u>	<u>332,117</u>
Net loss attributable to Bitauto Holdings Limited		<u>(506,992)</u>	<u>(541,345)</u>	<u>(1,611,114)</u>
Net loss per share/ADS attributable to ordinary shareholders	24			
Basic		(8.72)	(8.31)	(23.01)
Diluted		(8.72)	(8.31)	(23.16)
Weighted average number of shares/ADSs	24			
Basic		58,142,432	65,160,205	70,154,910
Diluted		58,142,432	65,160,205	70,154,910
Other comprehensive income/(loss)				
Foreign currency exchange gains/(losses), net of tax of nil		344,748	459,430	(353,747)
Total comprehensive (loss)/income, net of tax		<u>(40,536)</u>	<u>121,477</u>	<u>(1,780,735)</u>
Total comprehensive income/(loss) attributable to noncontrolling interests		7,898	(1,692)	(227,693)
Accretion to redeemable noncontrolling interests		<u>113,810</u>	<u>205,287</u>	<u>332,117</u>
Total comprehensive loss attributable to Bitauto Holdings Limited		<u>(162,244)</u>	<u>(82,118)</u>	<u>(1,885,159)</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, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	2015 RMB	2016 RMB	2017 RMB
Cash flows from operating activities			
Net loss	(385,284)	(337,953)	(1,426,988)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Investment (income)/loss	(141,195)	45,012	75,097
Gain from adjustment of contingent consideration	(17,419)	-	-
Unrealized exchange losses/(gains)	6,560	(3,410)	(8,375)
Interest expense	-	-	31,659
Depreciation of property, plant and equipment	55,459	55,859	185,344
Amortization of intangible assets	495,614	633,368	688,572
Deferred income tax	(10,940)	6,863	(46,171)
Share-based compensation	120,045	76,981	1,185,839
Write-down of assets	280,591	-	-
Losses/(Gains) on disposal of property, plant and equipment	375	(22,993)	(14,910)
Gains on disposal of intangible assets	-	-	(1,520)
Share of results of equity investees	16,663	25,640	71,866
Allowance for doubtful accounts for accounts receivable, and credit losses for finance receivables	8,931	102,651	349,185
Allowance for due from related party	-	-	15,000
Changes in assets and liabilities, net of effects of acquisitions and disposals:			
Accounts receivable	(384,192)	(426,800)	(869,699)
Bills receivable	(42,943)	37,424	(220,308)
Prepayments and other receivables	(154,224)	(258,732)	(343,794)
Due from related parties	(95,769)	30,996	29,792
Other current assets	(47)	(104,313)	(17)
Other non-current assets	(19,686)	(462,033)	(375,823)
Accounts payable	433,634	619,769	483,312
Income tax payable	(16,581)	9,761	30,561
Due to related parties	35,322	35,693	25,194
Other payables and accruals	392,608	393,262	1,026,485
Other non-current liabilities	24,361	70,351	37,925
Net cash provided by operating activities	<u>601,883</u>	<u>527,396</u>	<u>928,226</u>

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, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

	2015 RMB	2016 RMB	2017 RMB
Cash flows from investing activities			
Placement of time deposits	(2,388,478)	(2,000)	-
Proceeds from maturity of time deposits	2,443,311	100,000	2,000
Placement of restricted cash	(334,098)	(6,902,089)	(3,903,776)
Proceeds from restricted cash	-	1,822,631	7,828,146
Purchase of investments in equity investees	(921,130)	(280,168)	(120,429)
Disposal of investments in equity investees	-	-	127,120
Purchases of property, plant and equipment	(231,850)	(575,015)	(1,728,761)
Purchases of intangible assets	(3,607)	(33,567)	(26,706)
Proceeds from disposal of property, plant and equipment	42,960	67,090	242,282
Proceeds from disposal of intangible assets	-	445	-
Acquisition of finance receivables	(3,630,792)	(13,951,414)	(24,608,984)
Collection of finance receivables	854,056	2,844,009	9,135,002
Acquisition of subsidiaries, net of cash acquired	(6,118)	(56,513)	(49,585)
Net cash used in investing activities	<u>(4,175,746)</u>	<u>(16,966,591)</u>	<u>(13,103,691)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	3,370,015	977,954	-
Proceeds from issuance of subsidiary’s ordinary shares, net of issuance costs	-	-	5,528,755
Proceeds from issuance of subsidiaries’ redeemable convertible preference shares, net of issuance costs	1,537,952	2,043,694	1,317,450
Contribution from noncontrolling interests	-	-	2,995
Purchase of noncontrolling interests	-	-	(36,292)
Proceeds from issuance of convertible debt	-	991,720	-
Proceeds from exercise of options	5,881	20,772	26,673
Proceeds from borrowings	361,084	7,775,989	23,306,791
Repayment of borrowings	-	(818,076)	(14,650,880)
Proceeds from asset-backed securitization debt	-	5,499,400	11,142,486
Repayment of asset-backed securitization debt	-	(1,068,779)	(6,795,858)
Net cash provided by financing activities	<u>5,274,932</u>	<u>15,422,674</u>	<u>19,842,120</u>
Effect of exchange rate changes on cash and cash equivalents	18,332	97,636	(133,617)
Increase/(Decrease) in cash and cash equivalents	1,719,401	(918,885)	7,533,038
Cash and cash equivalents at beginning of the year	1,221,473	2,940,874	2,021,989
Cash and cash equivalents at end of the year	<u>2,940,874</u>	<u>2,021,989</u>	<u>9,555,027</u>
Supplemental cash flow disclosures:			
Cash paid for income taxes	(92,039)	(130,946)	(219,434)
Cash paid for interest	(3,117)	(71,759)	(1,118,736)
Supplemental disclosures of non-cash activities:			
Issuance of ordinary shares in connection with business cooperation with JD.com, Inc.	3,045,268	-	-
Purchases of property, plant and equipment	1,537	1,240	9,471
Purchases of intangible assets	4,258	291	708
Amounts receivable from exercise of options	(797)	(3,488)	(58,415)
Conversion of convertible debt	-	-	158,450
Conversion of Yixin preferred shares	-	-	5,323,103

The accompanying notes are an integral part of the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional	Statutory	Accumulated	Retained	Total Bitauto	Noncontrolling	Total
	Share	Amount	Share	Amount	paid-in	reserves	other	earnings	Holdings	interests	shareholders'
		RMB		RMB	capital	RMB	comprehensive	RMB	Limited	RMB	shareholders'
					RMB		income		shareholders'		equity
							RMB		equity		RMB
									RMB		RMB
As of January 1, 2015	45,575,745.0	13	1,903,665.5	(62,579)	1,383,503	44,357	(63,154)	738,019	2,040,159	246,855	2,287,014
Issuance of ordinary shares	17,735,549.0	4	-	-	6,355,197	-	-	-	6,355,201	-	6,355,201
Exercise of options and RSUs	-	-	(179,168.0)	5,889	767	-	-	-	6,656	-	6,656
Share-based compensation	-	-	-	-	120,045	-	-	-	120,045	-	120,045
Net loss	-	-	-	-	-	-	-	(393,182)	(393,182)	7,898	(385,284)
Foreign currency translation gains	-	-	-	-	-	-	344,748	-	344,748	-	344,748
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	10,000	10,000
Accretion of redeemable noncontrolling interests	-	-	-	-	-	-	-	(113,810)	(113,810)	-	(113,810)
Statutory reserves	-	-	-	-	-	12,836	-	(12,836)	-	-	-
As of December 31, 2015	<u>63,311,294.0</u>	<u>17</u>	<u>1,724,497.5</u>	<u>(56,690)</u>	<u>7,859,512</u>	<u>57,193</u>	<u>281,594</u>	<u>218,191</u>	<u>8,359,817</u>	<u>264,753</u>	<u>8,624,570</u>

The accompanying notes are an integral part of the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional	Statutory	Accumulated	Retained	Total Bitauto	Noncontrolling	Total
	Share	Amount	Share	Amount	paid-in	reserves	other	earnings/ (Accumulated	Holdings	interests	shareholders'
		RMB		RMB	capital	RMB	comprehensive	deficit)	Limited	RMB	equity
					RMB		income	RMB	shareholders'		equity
					RMB		RMB		equity		RMB
									RMB		
As of January 1, 2016	63,311,294.0	17	1,724,497.5	(56,690)	7,859,512	57,193	281,594	218,191	8,359,817	264,753	8,624,570
Issuance of ordinary shares	7,414,731.0	2	-	-	978,331	-	-	-	978,333	-	978,333
Beneficial conversion feature in relation to issuance of convertible debt	-	-	-	-	185,712	-	-	-	185,712	-	185,712
Exercise of options and RSUs	-	-	(450,311.0)	14,802	8,510	-	-	-	23,312	-	23,312
Share-based compensation	-	-	-	-	76,981	-	-	-	76,981	-	76,981
Net loss	-	-	-	-	-	-	-	(336,058)	(336,058)	(1,895)	(337,953)
Foreign currency translation gains	-	-	-	-	-	-	459,430	-	459,430	-	459,430
Acquisitions of subsidiaries	-	-	-	-	-	-	1,278	-	1,278	15,689	16,967
Accretion of redeemable noncontrolling interests	-	-	-	-	(205,287)	-	-	-	(205,287)	-	(205,287)
Statutory reserves	-	-	-	-	-	32,648	-	(32,648)	-	-	-
As of December 31, 2016	<u>70,726,025.0</u>	<u>19</u>	<u>1,274,186.5</u>	<u>(41,888)</u>	<u>8,903,759</u>	<u>89,841</u>	<u>742,302</u>	<u>(150,515)</u>	<u>9,543,518</u>	<u>278,547</u>	<u>9,822,065</u>

The accompanying notes are an integral part of the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi ("RMB"), except for share and per share data)

	Ordinary shares		Treasury shares		Additional	Statutory	Accumulated	Accumulated	Total Bitauto	Noncontrolling	Total
	Share	Amount	Share	Amount	paid-in	reserves	other	deficit	Holdings Limited	interests	shareholders'
	RMB	RMB	RMB	RMB	capital	RMB	income	RMB	shareholders'	RMB	equity
					RMB		RMB		equity		RMB
As of January 1, 2017	70,726,025.0	19	1,274,186.5	(41,888)	8,903,759	89,841	742,302	(150,515)	9,543,518	278,547	9,822,065
Issuance of ordinary shares	1,000,000.0	-	-	-	-	-	-	-	-	-	-
Exercise of options and RSUs	-	-	(653,397.0)	21,477	(2,001)	-	-	-	19,476	-	19,476
Share-based compensation	-	-	-	-	1,056,653	-	-	-	1,056,653	129,186	1,185,839
Net loss	-	-	-	-	-	-	-	(1,278,997)	(1,278,997)	(147,991)	(1,426,988)
Foreign currency translation losses	-	-	-	-	-	-	(274,045)	-	(274,045)	(79,702)	(353,747)
Conversion of Yixin preferred shares to ordinary shares	-	-	-	-	(947,158)	-	-	-	(947,158)	6,270,261	5,323,103
Proceeds from Yixin IPO, net of issuance costs	-	-	-	-	3,321,055	-	-	-	3,321,055	2,204,022	5,525,077
Transaction with noncontrolling interests	-	-	-	-	12,554	-	-	-	12,554	59,349	71,903
Conversion of convertible debt	1,013,941.0	-	-	-	158,450	-	-	-	158,450	-	158,450
Acquisition of noncontrolling interests in subsidiaries	-	-	-	-	49,298	-	-	-	49,298	(109,671)	(60,373)
Issuance of ordinary shares by the Company's subsidiary	-	-	-	-	-	-	-	-	-	3,030	3,030
Accretion of redeemable noncontrolling interests	-	-	-	-	(332,117)	-	-	-	(332,117)	-	(332,117)
Statutory reserves	-	-	-	-	-	63,697	-	(63,697)	-	-	-
As of December 31, 2017	<u>72,739,966.0</u>	<u>19</u>	<u>620,789.5</u>	<u>(20,411)</u>	<u>12,220,493</u>	<u>153,538</u>	<u>468,257</u>	<u>(1,493,209)</u>	<u>11,328,687</u>	<u>8,607,031</u>	<u>19,935,718</u>

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, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

1. Principal activities and organization

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 of its own, but conducts most of its business through its operating subsidiaries, variable interest entities (“VIEs”) and subsidiaries of VIEs established in the People’s Republic of China (the “PRC”). The Company owns the equity interest of its operating subsidiaries, VIEs and subsidiaries of VIEs through its subsidiaries established in Cayman Islands and Hong Kong. The Company, its subsidiaries, VIEs and subsidiaries of VIEs are collectively referred to as the “Group”.

The Group is principally engaged in the provision of internet content and marketing services, and transaction services in the automobile industry, including advertising services, subscription services, transaction services and one-stop digital marketing solution services in the PRC.

On November 16, 2017, Yixin Group Limited (“Yixin”), the Group’s subsidiary engaging in automobile transaction services, completed its initial public offering (“IPO”) on the Main Board of The Stock Exchange of Hong Kong Limited. After Yixin’s IPO, the Group held 45.2% of the outstanding ordinary shares of Yixin. The Group continues to take control of Yixin and consolidate Yixin as its controlling shareholder through the voting proxy agreement that the Group entered into with certain other shareholders, and recognizes noncontrolling interests reflecting the shares held by the shareholders other than the Group in the consolidated financial statements.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

1. Principal activities and organization (continued)

As of December 31, 2017, the Company’s principal subsidiaries, VIEs and subsidiaries of VIEs are as follows:

Name	Date of incorporation or acquisition	Place of operations	% equity interest
Bitauto Hong Kong Limited	April 27, 2010	Hong Kong	100
Beijing Bitauto Internet Information Company Limited	January 20, 2006	PRC	100
Dalian Rongxin Financial Guarantees Company Limited	June 6, 2016	PRC	100
Yixin Group Limited (“Yixin”, formerly known as Yixin Capital Limited)	November 19, 2014	Cayman Islands	45.2
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	November 27, 2014	Hong Kong	45.2
Xinche Investment (Shanghai) Company Limited	January 16, 2015	PRC	45.2
Shanghai Yixin Financing Lease Company Limited	August 12, 2014	PRC	45.2
Tianjin Hengtong Jiahe Financing Lease Company Limited	May 18, 2015	PRC	45.2
Xinjiang Yin'an Information Technology Company Limited	September 6, 2017	PRC	45.2
KKC Holdings Limited (“KKC”)	November 10, 2016	Cayman Islands	45.2
KKC Holdings Limited	November 10, 2016	Hong Kong	45.2
Beijing KKC Technology Company Limited	November 10, 2016	PRC	45.2
Beijing C&I Advertising Company Limited (“CIG”)	December 30, 2002	PRC	75.5
Beijing Bitauto Information Technology Company Limited	November 30, 2005	PRC	100
Beijing Easy Auto Media Company Limited	March 7, 2008	PRC	100
Beijing Bitauto Interactive Advertising Company Limited	December 12, 2007	PRC	100
Beijing Xinbao Information Technology Company Limited	February 2, 2008	PRC	100
Tianjin Boyou Information Technology Company Limited (formerly known as Bitauto (Tianjin) Commerce Company Limited)	May 16, 2014	PRC	100
Beijing Bit EP Information Technology Company Limited (“Bit EP”)	June 3, 2011	PRC	100
Beijing Yixin Information Technology Company Limited	January 9, 2015	PRC	45.2

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

1. Principal activities and organization (continued)

Variable interest entities

To comply with the PRC laws and regulations that restrict foreign ownership of companies involved in provision of internet content and other restricted businesses, the Group operates its websites and engages in such restricted businesses in the PRC through certain PRC domestic companies, whose equity interest are held by certain management members of the Company (“nominee shareholders”). The Company obtained control over these PRC domestic companies by entering into a series of contractual agreements with these PRC domestic companies and their respective nominee shareholders. These contractual agreements include loan agreements, irrevocable power of attorney, share pledge agreements, exclusive business cooperation agreements and exclusive option agreements. Through these contractual agreements, the Company is entitled to receive a majority of residual returns and is obligated to absorb a majority of the risk of losses of these PRC domestic companies. Based on these contractual agreements, management concluded that these PRC domestic companies are VIEs of the Company, of which the Company is the primary beneficiary. As such, the Group consolidated financial results of VIEs and subsidiaries of VIEs in the Group’s consolidated financial statements.

The summary of these contractual agreements are further described as below.

Loan Agreements

Pursuant to the relevant loan agreements, the relevant PRC subsidiaries provided interest-free loans to the respective nominee shareholders of the VIEs. The purpose of the loans is to provide capital and/or registered capital to VIEs in order to develop their businesses. The loan agreements have indefinite terms or certain terms that could be extended upon mutual written consent of the parties.

Irrevocable Power of Attorney

Each nominee shareholder of the VIEs executed an irrevocable power of attorney, appointing the relevant PRC subsidiaries or a person designated by such PRC subsidiaries as his or her attorney-in-fact to attend shareholders' meetings of the respective VIEs, exercise all the shareholder's voting rights, including but not limited to the sale, transfer, pledge or disposition of the shareholder's equity interest in the VIEs, and designate or appoint legal representatives, directors and officers of the relevant VIEs. Each power of attorney remains valid and irrevocable from the date of execution so long as the person remains as the nominee shareholder of the respective VIEs.

Share Pledge Agreements

Pursuant to the share pledge agreements, the nominee shareholders of the VIEs have pledged all of their equity interest in the relevant VIEs to the relevant PRC subsidiaries as collateral for all of the VIEs’ and nominee shareholders’ payments due to the relevant PRC subsidiaries and to secure their obligations under applicable contractual agreements. Each pledge of shares or equity interest 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 relevant exclusive business cooperation agreement or all the obligations under the relevant contractual agreements have been fulfilled by the relevant VIEs. During the term of a pledge, the relevant PRC subsidiaries, the pledgees, may dispose of the pledge if the VIE defaults under the exclusive business cooperation agreement. Each of the relevant PRC subsidiaries also has the right to collect dividends generated by the shares or equity interest pursuant to these pledge agreements. In addition, each nominee shareholder of the relevant VIEs agrees not to transfer or create any new encumbrance adverse to the relevant PRC subsidiaries on the shareholder's equity interest in such VIEs without prior written consent of the relevant PRC subsidiaries.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

1. Principal activities and organization (continued)

Exclusive Business Cooperation Agreement

The relevant PRC subsidiaries and relevant VIEs entered into exclusive business cooperation agreements under which the relevant PRC subsidiaries provide the relevant VIEs, on an exclusive basis, with technical, consulting and other services in relation to the respective VIEs' business. The VIEs shall pay service fees to the relevant PRC subsidiaries determined based on several metrics including the type, value and market price of the services provided by the relevant PRC subsidiaries and the operating conditions of the relevant VIEs. During the terms of the agreements, the relevant VIEs have agreed not to accept any consultation and/or services provided by any third party without the relevant PRC subsidiaries' prior written consent. The agreements have certain terms that could be extended upon the relevant PRC subsidiaries' prior written consent, or remain effective unless the relevant PRC subsidiaries terminate them in writing or either the relevant PRC subsidiaries or the relevant VIEs fail to obtain the government's approval for the renewal of the relevant business license.

Exclusive Option Agreements

Pursuant to these exclusive option agreements, each of the nominee shareholders of the VIEs irrevocably granted the relevant PRC subsidiaries an exclusive right to purchase, or designate one or more persons to purchase, the equity interest in the relevant VIEs then held by such nominee shareholder of the respective VIEs. The relevant PRC subsidiaries or their designees may purchase such equity interest at any time, once or at multiple times, in part or in whole at their own sole and absolute discretion to the extent permitted by the PRC laws. The agreements have certain terms that could be extended at the relevant PRC subsidiaries' discretion, or remain effective until all the equity interest held by the nominee shareholders of the VIEs have been transferred or assigned to the relevant PRC subsidiaries or any other persons designated by them.

Risks in relations to the VIE structure

Based on the advice of the Company's PRC legal counsel, the ownership structure and contractual agreement of the VIEs and subsidiaries in the PRC do not violate any existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company and the VIEs do not violate any existing PRC laws and regulations;(ii) the contractual agreement with VIEs and their nominee shareholders are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect;(iii) the Group's business operation are in compliance with existing PRC laws and regulations in all material respects.

However, there are 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. If the current ownership structure of the Company and its contractual arrangements with the VIEs and their nominee shareholders were found to be in violation of any existing or future PRC laws or regulations, the Group may be subject to penalties, which may include but not to be limited to, revocation of the Group's business and operating licenses, being required to discontinue or restrict the Group's operations, or being required to restructure the Group's ownership structure or operations. These penalties may result in a material and adverse effect on the Group's ability to conduct its operations. In such cases, the Company may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

1. Principal activities and organization (continued)

Changes in VIE structures

In 2017, BBII, CIG and its nominee shareholders entered into an agreement to terminate all of contractual arrangements among them and BBII acquired all of nominee shareholders’ equity interests in CIG. The acquisition was considered as common control transaction and had no impact on the Company’s consolidation of CIG.

The following financial information of the VIEs and subsidiaries of VIEs in the PRC was included in the Group’s consolidated financial statements with intercompany transactions eliminated:

	As of December 31,		
	2016	2017	
	RMB	RMB	
Total assets	6,037,614	7,287,858	
Total liabilities	4,338,170	3,682,006	
	For the year ended December 31		
	2015	2016	2017
	RMB	RMB	RMB
Revenue	4,153,558	4,389,398	4,419,967
Net income/(loss)	217,858	126,673	(111,574)
	For the year ended December 31		
	2015	2016	2017
	RMB	RMB	RMB
Net cash provided by operating activities	110,226	603,227	660,690
Net cash (used in)/provided by investing activities	(301,659)	(415,610)	57,568
Net cash provided by/(used in) financing activities	641,084	39,107	(426,603)

As of December 31, 2016 and 2017, the total assets of the Group’s VIEs and subsidiaries of VIEs were mainly consisting of cash and cash equivalents, accounts receivable, net, prepayments and other receivables, investment in equity investees, property, plant and equipment, net, and intangible assets, net. As of December 31, 2016 and 2017, the total liabilities of the VIEs and subsidiaries of VIEs were mainly consisting of accounts payable, other payables and accruals. These balances have been reflected in the Group’s consolidated financial statements with intercompany transactions eliminated.

In accordance with contractual agreements, the Company has the power to direct activities of the VIEs and subsidiaries of VIEs and can have assets transferred out of the VIEs and subsidiaries of VIEs. Therefore, the Company considers that there is no asset in any of the consolidated VIEs and subsidiaries of VIEs that can be used only to settle obligations of these entities, except for registered capital and PRC statutory reserves. Creditors of the VIEs and subsidiaries of VIEs do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIEs and subsidiaries of VIEs.

Currently, there is no contractual arrangement that requires the Company to provide any additional financial support to VIEs and subsidiaries of VIEs. As the Company conducts its business primarily based on the licenses and approvals held by its VIEs and subsidiaries of VIEs, the Company may provide additional financial support on a discretionary basis in the future.

In addition to above variable interest entities the Company consolidated through contractual arrangements, the Company also established a number of asset-backed securitization vehicles to issue debt securities to third party investors. The vehicles are considered variable interest entities in accordance with ASC 810 and the Company are considered primary beneficiary of such variable interest entities. Accordingly, the Company consolidated these asset-backed securitization vehicles. As of December 31, 2016 and 2017, none of asset-backed securitization vehicles are considered individually significant to the Group.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies

(a) Basis of presentation

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of VIEs for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies.

A VIE is an entity in which the Company, or its subsidiaries, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiaries are the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries, the VIEs and subsidiaries of VIEs have been eliminated upon consolidation. The results of subsidiaries, the VIEs and subsidiaries of VIEs acquired or disposed of during the year are recorded in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(c) Business combinations and noncontrolling interests

The Group accounts for its business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) 805 “Business Combinations”. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statements of comprehensive income. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive income.

In a business combination considered as a step acquisition, the Group remeasures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of comprehensive income.

For the Company’s majority-owned subsidiaries, VIEs and subsidiaries of VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. Noncontrolling interests are classified as a separate line item in the equity section of the Group’s consolidated balance sheets and have been separately disclosed in the Group’s consolidated statements of comprehensive income to distinguish the interests from that of the Company.

(d) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates are used for, but not limited to the valuation and recognition of share-based compensation, realization of deferred tax assets, fair value of assets and liabilities acquired in business combinations, assessment for impairment of long-lived assets, investment in equity investees, intangible assets and goodwill, allowance for doubtful accounts for accounts receivable, allowance for credit losses for finance receivables, and useful lives of intangible assets. The Group bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the Chief Executive Officer of the Group. The Group managed its business in three segments, namely advertising and subscription business, transaction services business and digital marketing solutions business.

(f) Foreign currency translation

The Company, its subsidiaries, VIEs and subsidiaries of VIEs individually determine their functional currency based on the criteria of ASC 830 “Foreign Currency Matters”. The functional currencies of the Company and its subsidiaries outside China are the U.S. dollar (“US\$”) and the Hong Kong dollar (“HKD”), and the functional currency of PRC subsidiaries, VIEs and subsidiaries of VIEs is the RMB. Since the Group’s operations are primarily denominated in the RMB, the Group has chosen the RMB as the reporting currency for the consolidated financial statements.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from foreign currency transactions are recorded in the consolidated statements of comprehensive income.

The financial statements of the entities with non-RMB functional currencies are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities, average exchange rate for the year for income and expense items, and historical exchange rate for equity items. Translation gains or losses arising from the translation are recognized in accumulated other comprehensive income as a component of shareholders’ equity.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, time deposits and highly liquid investments with an original maturity of three months or less.

(h) Time deposits

Time deposits comprise highly liquid investments with original maturities of greater than three months, but less than one year.

(i) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows. The Group held restricted cash of RMB5.63 billion and RMB1.48 billion as of December 31, 2016 and 2017, respectively, which were primarily pledged for bank borrowings. Changes in the restricted cash balances are classified as cash flows from investing activities in the consolidated statements of cash flows as the Group considers restricted cash arising from these activities similar to an investment.

(j) Accounts receivable, net

Accounts receivable are amounts due from customers for services performed or merchandise sold in the ordinary course of business. If collection of accounts receivable is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recorded net of allowance for doubtful accounts. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific evidence indicating troubled collection, such as the accounts aging, financial conditions of the customer and industry trend.

(k) Bills receivable

Bills receivable represent short-term notes receivables 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.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(l) Investment in equity investees

Investment in equity investees represents the Group’s investments in privately-held companies. The Group applies the equity method to account for an equity investment, in common stock or in-substance common stock, according to ASC 323 “Investment - Equity Method and Joint Ventures”, over which it has significant influence but does not own a majority equity interest or otherwise control.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity’s common stock. The Group considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity’s common stock.

For other equity investments that are not considered as debt securities or equity securities that have readily determinable fair values and over which the Group neither has significant influence nor control through investment in common stock or in-substance common stock, the cost method is used.

Under the equity method, the Group’s share of the post-acquisition profits or losses of the equity investee is recognized in the consolidated statements of comprehensive income and its share of post-acquisition movements in accumulated other comprehensive income is recognized in shareholders’ equity. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When the Group’s share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee.

Under the cost method, the Group carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee’s post-acquisition profits.

From time to time, the rights on certain investments in which the Group has significant influence were modified with new rounds of financing. These modifications may be additions or removals of certain rights. As a result of such modification, these equity investments, which were accounted for using equity method, were reclassified as investments accounted for using cost method, or vice versa. The carrying amount of the investments was remeasured upon the reclassification and a deemed disposal gain or loss was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

The Group continually reviews its investments in equity investees to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Group considers in its determination are the length of time that the fair value of the investment is below the carrying value; the financial condition, operating performance and the prospects of the equity investee; and other company specific information such as recent financing rounds. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity investee is written down to fair value, which is reflected in share of results of equity investees and investment income/(loss) in the consolidated statements of comprehensive income.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(m) Property, plant, and equipment, net

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment if any. Depreciation is computed using the straight-line method with no residual value based on the estimated useful lives of the various classes of assets, which range as follows:

Computers and servers	3 – 5 years
Automobiles for Group uses	5 years
Automobiles for operating leases	5 years
Furniture and fixtures	3 – 5 years
Leasehold improvements	shorter of remaining lease period or estimated useful life

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of comprehensive income.

(n) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of December 31, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. The Group will perform the quantitative impairment test if the Group bypasses the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets, liabilities and goodwill to reporting units, and determining the fair value of each reporting unit.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(o) Intangible assets, net

Intangible assets are stated at cost less accumulated amortization and impairment if any. Intangible assets acquired in a business combination are recognized initially at fair value at the date of acquisition. Intangible assets with an indefinite useful life are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with ASC subtopic 350-30 (“ASC 350-30”), Intangibles-Goodwill and Other: General Intangibles Other than Goodwill. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Purchased software	5 - 10 years
Digital Sales Assistant system	10 years
Domain names	10 years
Brand name	10.1 - 15.25 years
Customer relationship	2 - 15.25 years
Business cooperation (Note 5)	5 years
Others	5 - 10 years
Trademark and lifetime membership	10 years / Indefinite

(p) Impairment of long-lived assets

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(q) Borrowings

Borrowings are recognized initially at fair value, net of upfront fees, debt issuance costs, and debt discounts or premiums. Upfront fees, debt issuance costs, and debt discounts or premiums are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated statements of comprehensive income over the estimated term of the facilities and borrowings using the effective interest method.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(r) Asset-backed securitization debt

The Group securitizes finance receivables arising from its consumers through the transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribe a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered consolidated variable interest entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current liabilities in the consolidated balance sheets based on their respective expected repayment dates.

(s) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(t) Convertible debt

The Group determines the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature, call and put option, and beneficial conversion feature. After considering the impact of such features, the Company may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 “Derivatives and Hedging” and ASC 470 “Debt”.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense, using the effective interest method, from the issuance date to the earliest conversion date. Convertible debt is classified as a current liability if their due date is or will be within one year from the balance sheet date.

(u) Fair value

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Group measures certain financial assets, including the investments under the cost method and equity method on other-than-temporary basis, intangible assets, goodwill and property, plant and equipment are marked to fair value when an impairment charge is recognized.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(v) Fair value (continued)

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

(w) Treasury shares

The Company's equity instruments that are repurchased are recognized at cost and deducted from equity as treasury shares. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Company's equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them. For the years ended December 31, 2015, 2016 and 2017, the Company did not repurchase any shares.

(x) Statutory reserves

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Company's subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their net income based on PRC accounting standards to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the discretion of the respective entity.

In addition, in accordance with the PRC Company Laws, the Company's VIEs and subsidiaries of VIEs, registered as Chinese domestic companies, must make appropriations from their net income based on PRC accounting standards to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriation to the discretionary surplus fund is made at the discretion of the respective entity.

None of these reserves are allowed to be transferred to the Company in terms of dividends, loans or advances, nor can they be distributed except under liquidation.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(y) Revenue recognition

Revenue principally represents advertising and subscription services revenue, transaction services revenue and agent services revenue. Consistent with the criteria of ASC 605 “Revenue Recognition”, the Group recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured. 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. Value-added tax (“VAT”) is included in revenue.

Revenue arrangements with multiple deliverables are divided into separate units of accounting. The arrangement consideration is allocated at the inception of the arrangement to each element based on their relative fair values for revenue recognition purposes. The consideration is allocated to each element using vendor-specific objective evidence or third-party evidence of the standalone selling price for each deliverable, or if neither type of evidence is available, using management’s best estimate of selling price.

Advertising and subscription services

Advertising services

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured. The Group also organizes promotional events to help customers to promote their products. The Group recognizes revenue from organizing promotional events when the services have been rendered, and the collectability is reasonably assured. Revenues from advertising services are reported at a gross amount.

Subscription services

The Group provides web-based and mobile-based integrated digital marketing solutions, via SaaS platform, to dealer customers in China. Such SaaS 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. The revenue is recognized on a straight-line basis over the subscription or listing period. Revenues from dealer subscription and listing services are reported at a gross amount.

The Group invoices its customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. The Group records amounts received prior to revenue recognition in advances from customers, which is included in the other payables and accruals line item in the Group’s consolidated balance sheets.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(y) Revenue recognition (continued)

Transaction services

Automobile financing lease and operating lease services

The Group provides automobile financing lease services to individual customers and automobile dealers through two models: direct financing lease and sales-and-leaseback. In a direct financing lease arrangement, revenue is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the financing leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognized over the lease period using the effective interest rate method. The Group also provides automobile operating lease services to individual and corporate customers. Revenue from these services is recognized on a straight-line basis over the lease period.

Other transaction services

The Group recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when a sales contract has been executed and the automobiles have been delivered.

The Group recognizes revenue from facilitation and other services when assisting the customers to complete a used automobile purchase transaction or an automobile financing transaction. The Group recognizes sales revenue of vehicle telematics devices upon transfer of the title and associated risks and rewards of the devices to its business partners. The Group also recognizes commission-based fees for the provision of automobile e-commerce services.

Agent services

The Group receives commissions for assisting customers in placing advertisements on media vendor websites (“advertising agent services”). The net commission revenue from advertising agent services is recognized when the advertisements are published over the stated display period, 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. The Group also provides project-based services such as public relations and marketing campaign. Revenue is recognized when the services have been rendered, and the collectability is reasonably assured.

(z) Cost of revenue

Cost of revenue mainly includes fees paid to the Group’s business partners to distribute the dealer customers’ automobile pricing and promotional information, direct service cost, funding costs, cost of automobiles sold and vehicle telematics devices sold, and turnover taxes and related surcharges.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(aa) Selling and administrative expenses

Selling and administrative expenses consist primarily of salaries and benefits for the sales and marketing personnel and administrative personnel, sales and marketing expenses, share-based compensation expense, depreciation and amortization of assets and other expenses for daily operations.

Advertising expenditures are expensed as incurred and are included in selling and administrative expenses. Total advertising expenditures were RMB495.2 million, RMB363.8 million and RMB631.7 million for the years ended December 31, 2015, 2016 and 2017.

(bb) Product development expenses

Product development expenses consist primarily of staff costs related to personnel involved in the development and enhancement of the Group’s service offerings on its websites, mobile application and related software. The Group recognizes these costs as expenses when incurred, unless they result in significant additional functionality, in which case they are capitalized.

(cc) Share-based compensation

The Group’s share-based awards mainly comprise share options and RSUs. In accordance with ASC 718 “Compensation – Stock Compensation”, share-based awards granted to employees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the graded vesting method, net of estimated forfeitures, over the requisite service period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

If a share-based award is modified after the grant date, additional compensation expenses are recognized in an amount equal to the excess of the fair value of the modified equity instrument over the fair value of the original equity instrument immediately before modification. The additional compensation expenses are recognized immediately on the date of the modification or over the remaining requisite service period, depending on the vesting status of the award.

The Group determined the fair value of share options with the assistance of independent third-party valuation firms. The binomial option pricing model was applied in determining the fair value of share options. The fair value of RSUs granted subsequent to the initial public offering will be the price of publicly traded shares on the date of grant.

The Group also determined the fair value of share options granted by Yixin with the assistance of independent third-party valuation firms. In determining the fair value of ordinary shares granted by Yixin as share-based awards in 2017 before Yixin's IPO, the discounted cash flow method with a discount for lack of marketability was applied, given that the shares underlying the awards were not publicly traded at the time of grant. Based on fair value of the underlying ordinary shares, the binomial option pricing model was applied in determining the fair value of share options on the date of grant.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(dd) 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 scheme were RMB178.2 million, RMB282.2 million and RMB364.5 million for the years ended December 31, 2015, 2016 and 2017, respectively.

(ee) Income taxes

The Group accounts for income taxes using the asset and liability method, under which deferred income taxes are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the asset will not be realizable in the foreseeable future.

The Group adopts ASC 740-10-25 “Income Taxes” which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The Group did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit for the years ended December 31, 2015, 2016 and 2017.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(ff) Leases

Each lease is classified at the inception date as either a capital lease or an operating lease.

For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. Payments made under operating lease are charged to the consolidated statements of comprehensive income on a straight-line basis over the terms of underlying lease.

For direct financing leases where the Group is the lessor and for the sales and leaseback transactions where the Group is the buyer-lessor, the transaction is accounted for as a capital lease if the transaction satisfies one of the four capital lease conditions as discussed above. The leased automobiles the Group purchased would be derecognized upon the inception of the lease and the net investment of the lease will be recorded as finance receivables. The net investment in a lease consists of the minimum lease payments, net of executory costs plus the unguaranteed residual value, less the unearned interest income plus the unamortized initial direct costs related to the lease. The accrued interests are also included in the finance receivables balance. Over the period of a lease, each lease payment received is allocated between the repayment of the net investment in the lease and lease income based on the effective interest method so as to produce a constant rate of return on the net investment in the lease. The lease income is recorded as the Group's revenue in the consolidated statements of comprehensive income. Initial direct costs of the capital leases are amortized over the lease term by adjusting against the related lease income. The net investment in the leases, net of allowance for credit losses, is presented as finance receivables and classified as current or non-current assets in the balance sheets based on the duration of the remaining lease terms. The Group's finance receivables are typically secured with automobiles in the lease arrangements. The allowance for credit losses is based on a systematic, ongoing review and valuation performed as part of the credit-risk evaluation process.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(ff) Leases (continued)

The Group reviews credit quality of its finance receivables based on customer payment activities, including past due information. The entire balance of a finance receivable is considered contractually past due if the minimum required repayment is not received by the contractual repayment day. If any delinquency arises, the Group will consider initiating collection process, which includes (a) making phone calls and sending collection notice to the customers; (b) outsourcing to collection specialists to conduct collection of the automobiles; (c) re-possessing the automobiles directly followed by bidding of the automobiles. As of December 31, 2016 and 2017, the carrying amount of the repossessed automobiles is minimal. The Group has not established a practice of modifying the contractual payment terms, or entering into any troubled debt restructurings of the finance receivables with its customers.

Accrued lease income on finance receivables is calculated based on the effective interest rate of the net investment. Finance receivables are placed on non-accrual status upon reaching past due status for more than 90 days. When a finance receivable is placed on non-accrual status, the Group stops accruing interest and reverses all accrued but unpaid interest when such finance receivable is past due for 180 days. For the years ended December 31, 2016 and 2017, such reversals were immaterial. The finance receivable in non-accrual status was RMB57.2 million and RMB245.7 million as of December 31, 2016 and 2017, respectively. Lease income is subsequently recognized only upon the receipt of cash payments. The Group determines it is probable that, certain finance receivables that are past due for 180 days after the above mentioned collection process has been administered, will become uncollectable, and writes off such finance receivables.

If a lease transaction does not meet the criteria for classification as a capital lease as specified above, it is classified by the lessor as an operating lease. The payments received by the lessor are recorded as lease income in the period in which the payment is received or becomes receivable. The Group records the leased property as property, plant and equipment, net on the consolidated balance sheets and depreciated in the same manner as the other equipment.

(gg) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

2. Summary of significant accounting policies (continued)

(hh) Earnings per share

Basic earnings per share is computed by dividing net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per ordinary share is computed by dividing the net income/(loss) attributable to ordinary shareholders for the year by the weighted average number of ordinary and potential ordinary shares outstanding during the year, if the effect of potential ordinary shares is dilutive. Potential ordinary shares for the Company include incremental shares of ordinary shares issuable upon the exercise of share options and RSUs, and conversion of convertible debt.

Additionally, for purposes of calculating basic and diluted earnings per share, Yixin’s net income/(loss) attributable to Bitauto Holdings Limited is adjusted as follows:

For the purpose of calculating basic earnings per share, Yixin’s net income/(loss) attributable to Bitauto Holdings Limited was determined using the two-class method by allocating Yixin’s net income/(loss) to each class of participating shares issued by Yixin, including the outstanding ordinary shares and redeemable convertible preference shares.

For the purpose of calculating diluted earnings per share, the potentially issuable shares of Yixin, namely (i) the redeemable convertible preference shares, prior to the IPO of Yixin, and (ii) the share options granted by Yixin, are assessed for dilutive impact. The diluted earnings per share will be adjusted if the impact is deemed dilutive.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

3. Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. This guidance supersedes current guidance on revenue recognition in Topic 605, “Revenue Recognition”. In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. In August 2015, the FASB issued ASU No. 2015-14 to defer the effective date of ASU No. 2014-09 for all entities by one year. For public business entities that follow U.S. GAAP, the deferral results in the new revenue standard are being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 and interim periods therein. Early adoption is permitted to the original effective date. The Group will adopt the new revenue standard beginning January 1, 2018 by applying the modified retrospective approach. Based on the assessment completed, the Group noted the most significant impact is the change from presentation of VAT on a gross basis to a net basis. According to the provision of Topic 606, the Group determined VAT are collected from the customers on behalf of the government and as an agent, the Group will report VAT on a net basis. Other than the change above, the Group expects revenue recognition for its major revenue streams to remain materially consistent with its historical revenue recognition practices.

In January, 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value, with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Group will apply the new standard beginning January 1, 2018. For investments in equity securities lacking of readily determinable fair values, the Group will elect to use the measurement alternative defined as cost, less impairments, adjusted by observable price changes. The Group anticipates that the adoption of ASU 2016-01 will increase the volatility of its investment income/(losses), as a result of the remeasurement of its equity securities upon the occurrence of observable price changes.

On February 25, 2016, the FASB issued ASU No. 2016-02, “Leases”. ASU No. 2016-02 specifies the accounting for leases. For operating leases, this standard requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

3. Recent accounting pronouncements (continued)

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326)”, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. Topic 326 introduces “expected credit loss” model, which is different from the “incurred loss” model the Group currently applied. It will incorporate both available forward looking information and historical pattern to estimate the lifetime expected credit losses for all finance receivables, including those that have not become past due. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. While the Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures, it is generally expected that the adoption will likely increase the level of provision for credit losses of finance receivables.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments”, which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Group does not expect significant impact of the adoption of the guidance on the Group’s consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied using a retrospective transition method to each period presented. The Group will adopt the standard beginning January 1, 2018 using a retrospective transition method. The balances of restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows and changes in the restricted cash balances will no longer be classified as cash flows from investing activities.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business”, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The standard should be applied prospectively on or after the effective date. The Group will adopt the standard prospectively and does not expect material impact.

In January 2017, the FASB issued ASU No. 2017-04, “Simplifying the Test for Goodwill Impairment”. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

4. Concentration of risks

(a) Concentration of customers

There were no customers that individually represented greater than 10% of the total revenue for the years ended December 31, 2015, 2016 and 2017, respectively.

(b) Concentration of credit risks

Financial instruments that potentially subject the Group to significant concentration of credit risk consist principally of cash and cash equivalents, time deposits, restricted cash, accounts receivable and finance receivables.

As of December 31, 2015, 2016 and 2017, substantially all of the Group’s cash and cash equivalents, time deposits and restricted cash were held by major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. Under the new Bankruptcy Law effective in 2007, a Chinese bank may go into bankruptcy. In the event of bankruptcy of one of the banks which holds the Group’s deposits, it is unlikely to claim its deposits bank in full since it is unlikely to be classified as a secured creditor based on PRC laws.

Accounts receivable and finance receivables are typically unsecured or secured with automobiles for financing lease and derived from revenue earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balance. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations.

(c) Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US\$, and the RMB appreciated more than 20% against the US\$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US\$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US\$, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

(d) Currency convertibility risk

Substantially all of the Group’s businesses are transacted in RMB, which is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People’s Bank of China (the “PBOC”). Remittances in currencies other than RMB by the Group in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies and require certain supporting documentation in order to effect the remittance.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

5. Significant equity transactions and acquisitions

Acquisition of additional interest in Target Net (Beijing) Technology Company Limited (“Target Net”)

As of December 31, 2015 and 2016, the Group held 51% equity interest in Target Net, an unlisted entity based in the PRC and involved in the provision of internet information distribution services. In October 2017, Target Net repurchased its equity interests held by a noncontrolling shareholder for a total consideration of RMB36.3 million, which increased the Group’s ownership interest in Target Net to 74.8%. It was considered to be an equity transaction and the excess of the noncontrolling interest repurchased over the consideration was recorded in equity.

Acquisition of KKC

In April 2015 and September 2016, the Group acquired equity interest of KKC, an unlisted entity based in the PRC and involved in the used car business, in aggregate to approximately 54.8% on a fully diluted basis. Although holding the majority of equity interest, the Group did not obtain control over KKC due to the absence of the majority of voting power at the board of directors of KKC. In November 2016, the Group further acquired equity interest of KKC, increasing its equity interest to 49.7% of ordinary shares and approximately 74.8% on a fully diluted basis, and obtained control over KKC. The Group acquired KKC to expand its used car business.

The transaction in November 2016 was considered a step acquisition under ASC 805 “Business Combinations”. A step acquisition gain of RMB28.1 million arising from the revaluation of previously held equity interest was recognized in the investment income/(loss) in the consolidated statements of comprehensive income for the year ended December 31, 2016.

In May 2017, the Group acquired the remaining equity interest of KKC from the noncontrolling shareholders for a total consideration of RMB13.2 million, which increased the Group’s ownership interest in KKC to 100%. It was considered to be an equity transaction and the difference between the consideration paid and the carrying amount of the non-controlling interest was recorded in equity.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

5. Significant equity transactions and acquisitions (continued)

Acquisition of Beijing Xinchuang Interactive Advertising Company Limited (“Xinchuang”)

As of December 31, 2016, the Group held 30% equity interest in Xinchuang, an unlisted entity located in the PRC and engaged in internet digital marketing services. In January 2017, the Group acquired an additional 30% of the equity interest, increasing its ownership interest to 60%. The Group acquired Xinchuang to expand its digital marketing solutions business.

This transaction was considered as a step acquisition under ASC 805 “Business Combinations”. A step acquisition gain of RMB36.3 million arising from revaluation of previously held equity interest was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

The total purchase consideration for acquiring Xinchuang was RMB105.6 million, including a liability of RMB63.6 million for the committed purchase of the remaining 40% equity interest in the following two years equally. In October 2017, a modification of the original share purchase agreement was entered into whereby the Group was no longer committed to buy and the selling shareholder was no longer committed to sell the remaining 40% equity interest. It was considered an equity transaction and the difference between the liability as at modification date and the carrying amount of the non-controlling interest was recorded in equity.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

5. Significant equity transactions and acquisitions (continued)

Other acquisitions

For the year ended December 31, 2017, the Group acquired equity interests in other acquirees for total purchase consideration of RMB26.5 million.

The fair values of the identifiable assets and liabilities as at the date of the acquisitions are summarized in the following table:

	Fair value recognized on acquisition		
	2015	2016	2017
	RMB	RMB	RMB
Cash and cash equivalents	-	39,406	23,072
Property, plant and equipment, net	-	1,211	292
Intangible assets, net	-	63,922	60,684
Other assets	-	41,778	61,142
Current liabilities	-	(73,021)	(59,867)
Deferred tax liabilities	-	(15,977)	(15,171)
Net assets	-	57,319	70,152
Noncontrolling interests	-	(15,689)	-
Mandatorily redeemable noncontrolling interests	-	-	(63,569)
Goodwill arising on acquisitions	-	115,848	103,136
Total	-	<u>157,478</u>	<u>109,719</u>
Cash consideration	-	20,366	68,480
Fair value of previously held equity interests	-	137,112	41,239
Total consideration	-	<u>157,478</u>	<u>109,719</u>

The goodwill represented expected synergies arising on acquisitions. The knowledge and expertise of employees is not separable. Therefore, it does not meet the criteria for recognition as intangible asset under ASC 350 “Intangibles – Goodwill and Other”. None of the goodwill recognized is expected to be deductible for income tax purposes. The intangible assets arising from the acquisition include customer relationship, software, contract backlog, and brand name. The estimated useful lives were described in Note 2 (o).

The noncontrolling interest has been recognized at fair value on the acquisition date.

Neither the results of operations since the acquisition date nor the pro forma results of operations of the acquirees were presented because the effects of these business combinations, individually or in the aggregate, were not significant to the Group’s consolidated results of operations.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

5. Significant equity transactions and acquisitions (continued)

Transaction with JD.com, Inc. (“JD”) and Tencent Holdings Limited (“Tencent”)

On January 9, 2015, the Group entered into a share subscription agreement with JD.com, Inc. and JD.com Global Investment Limited (collectively as “JD”), together with Dongting Lake Investment Limited, a special purpose vehicle of Tencent Holdings Limited (collectively as “Tencent” together with Tencent Holdings Limited). On the same date, the Group entered into a business cooperation agreement with JD.com, Inc. Pursuant to the share subscription agreement and business cooperation agreement, JD invested RMB2.45 billion and certain resources to the Group and Tencent invested RMB919.1 million to the Group.

As consideration for the transaction, the Group issued 15,689,443 ordinary shares to JD, representing approximately 25% of the then outstanding ordinary shares on a fully diluted basis and 2,046,106 ordinary shares to Tencent, representing approximately 3.3% of the then outstanding ordinary shares on a fully diluted basis, upon the closing of the transaction on February 16, 2015.

Pursuant to the business cooperation agreement, the resources provided by JD include (a) an exclusive right to operate JD’s finished automobile business, which includes the sale of finished automobiles on JD Mall, Paipai.com, their respective mobile sites and JD’s mobile applications, as well as the provision of advertising services on JD’s finished car channels, in mainland China, (b) traffic supports including traffic generating from and advertising display on JD website and mobile applications, (c) general business cooperation such as big data capabilities and technology infrastructure. The term of the business cooperation is five years from April 9, 2015.

The general business cooperation as above (c) is not recognized as a separate intangible asset because such provisions only set out the general principal for the cooperation between the Group and JD with no specific deliverables provided to the Group. The amount recognized for the business cooperation agreement relates to the exclusive right to operate JD’s finished automobile business as above (a) and traffic support as above (b). The fair value was established using two forms of the income approach known as the excess earnings method and the cost saving method. The Group applied a discount rate of 16% for valuing the business cooperation agreement. The business cooperation is amortized on a straight-line basis over five years from April 9, 2015.

At the end of 2015, the Group recorded a write-down of assets amounting to RMB238.6 million for the business cooperation relating to resources to be provided through the channel of Paipai.com, as the Paipai.com business was terminated by JD.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

6. Accounts receivable, net

Accounts receivable, net as of December 31, 2016 and 2017 are as follows:

	2016	2017
	RMB	RMB
Accounts receivable	2,168,655	3,107,315
Less: allowance for doubtful accounts	<u>(100,040)</u>	<u>(252,905)</u>
	<u>2,068,615</u>	<u>2,854,410</u>

Accounts receivable are non-interest bearing and are generally on terms of 60 to 90 days. In some cases, these terms are extended up to 360 days for certain qualifying long-term customers who have met specific credit requirements.

As of December 31, 2017, accounts receivable at carrying value of RMB252.9 million (2016: RMB100.0 million) were impaired and fully provided for. The movements in the allowance for doubtful accounts are as follows:

	2015	2016	2017
	RMB	RMB	RMB
Balance as of January 1	37,699	46,441	100,040
Charge for the year	8,931	53,599	152,865
Write off for the year	<u>(189)</u>	<u>-</u>	<u>-</u>
Balance as of December 31	<u>46,441</u>	<u>100,040</u>	<u>252,905</u>

7. Prepayments and other receivables

Components of prepayments and other receivables as of December 31, 2016 and 2017 are as follows:

	2016	2017
	RMB	RMB
Advances to suppliers	73,815	80,647
Prepaid expenses	11,320	45,818
Deposits	29,840	88,587
Advances to used car dealers	14,131	62,843
Staff advances	33,268	57,355
VAT and other taxes receivables	366,697	638,267
Interest receivable	25,912	23,548
Other receivables	<u>56,692</u>	<u>106,618</u>
	<u>611,675</u>	<u>1,103,683</u>

Prepayments and other receivables are unsecured, interest-free, have no fixed terms of repayment and are due on demand.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

8. Fair value measurement

Financial instruments measured at fair value on a recurring basis

As of December 31, 2016 and 2017, there is no asset or liability measured at fair value in the consolidated balance sheets.

The following are other financial instruments not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Cash and cash equivalents, time deposits, restricted cash, accounts receivable, bills receivable, finance receivables, other receivables and due from related parties are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable, other payables and due to related parties are financial liabilities with carrying values that approximate fair value due to their short-term nature.

Borrowings. Interest rates under the loan agreements with the lending banks were determined based on the prevailing interest rates in the market. The Group classifies the valuation techniques that use these inputs as Level 2 fair value measurement. The carrying value of borrowings approximate fair value.

Assets and liabilities measured at fair value on a nonrecurring basis

The Group holds investments in equity investees of privately-held companies that are accounted for using the cost method or equity method. The Group performs impairment assessments of these investments whenever events or changes in circumstances indicate that the carrying value of the investment may not be fully recoverable. The Group determined certain investments in equity investees were fully impaired after evaluated the business prospects, operational data and financial results of the investees. Impairment charges were recorded in connection with the investment in equity investees of nil, RMB86.6 million and RMB165.2 million for the years ended December 31, 2015, 2016 and 2017, respectively. The fair value of the investments were measured using significant unobservable inputs as Level 3.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

9. Investment in equity investees

The Group’s investment in equity investees consisted of the follows:

	Cost method RMB	Equity method RMB	Total RMB
Balance as of January 1, 2015	69,698	72,364	142,062
Additions	1,042,134	171,813	1,213,947
Share of loss of equity investees	-	(16,663)	(16,663)
Less: disposals and transfers	(16,000)	(44,788)	(60,788)
Foreign currency translation adjustments	3,287	913	4,200
Balance as of December 31, 2015	1,099,119	183,639	1,282,758
Additions	268,535	34,685	303,220
Share of loss of equity investees	-	(25,640)	(25,640)
Less: disposals and transfers	(75,675)	(6,486)	(82,161)
Less: impairment losses	(86,618)	-	(86,618)
Foreign currency translation adjustments	55,415	498	55,913
Balance as of December 31, 2016	1,260,776	186,696	1,447,472
Additions	34,737	103,472	138,209
Share of loss of equity investees	-	(50,643)	(50,643)
Less: disposals and transfers	(14,623)	(126,512)	(141,135)
Less: impairment losses	(143,974)	(21,223)	(165,197)
Foreign currency translation adjustments	(44,836)	326	(44,510)
Balance as of December 31, 2017	<u>1,092,080</u>	<u>92,116</u>	<u>1,184,196</u>

Cost method

As of December 31, 2016 and 2017, the carrying value of the Group’s cost-method investments were RMB1.26 billion and RMB1.09 billion, respectively. Investments are accounted for under the cost method if the underlying stocks the Group invested in had no readily determinable fair value or the Group has neither significant influence nor control through investment in common stock or in-substance common stock. For the years ended December 31, 2015, 2016 and 2017, the Group invested RMB1.04 billion, RMB268.5 million, and RMB34.7 million in multiple private companies accounted for under the cost method respectively, which management believes will lead to future operating synergies with the Group’s business in future years.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

9. Investment in equity investees (continued)

Equity method

As of December 31, 2016 and 2017, the carrying value of the Group’s investments accounted for under the equity method were RMB186.7 million and RMB92.1 million, respectively. The Group applies the equity method to account for its equity investments, in common stock or in-substance common stock, over which it has significant influence but does not own a majority equity interest or otherwise control. For the year ended December 31, 2017, the Group disposed certain investments accounted for under the equity method and recorded a disposal gain of RMB43.6 million, which was recognized in the investment income/(loss) in the consolidated statements of comprehensive income.

The condensed financial information of the Group’s equity investments accounted for under the equity method were summarized as a group below in accordance with Rule 4-08 of Regulation S-X:

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Revenue	120,930	652,864	80,095
Gross profit	13,846	138,640	4,981
Loss from operations	(45,351)	(35,586)	(133,910)
Net loss	(45,621)	(47,855)	(133,207)
Net loss attributable to the equity-method investees	(45,621)	(36,886)	(129,223)

	As of December 31,	
	2016	2017
	RMB	RMB
Current assets	400,179	222,030
Non-current assets	33,689	133,003
Current liabilities	208,515	45,515
Non-current liabilities	2,171	-
Noncontrolling interests	4,656	8,603

10. Property, plant and equipment, net

Property, plant and equipment, net as of December 31, 2016 and 2017 are as follows:

	2016	2017
	RMB	RMB
Computers and servers	129,842	150,593
Automobiles for Group uses	29,436	35,805
Automobiles for operating leases	84,318	1,267,556
Furniture and fixtures	9,745	14,101
Leasehold improvements	94,741	98,594
Less: accumulated depreciation	(153,522)	(270,453)
Net book value	<u>194,560</u>	<u>1,296,196</u>

Depreciation expenses recognized for the years ended December 31, 2015, 2016 and 2017 were RMB55.5 million, RMB55.9 million and RMB185.3 million, respectively.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

11. Intangible assets, net

Intangible assets, net as of December 31, 2016 and 2017 are as follows:

	As of December 31, 2016			
	Gross carrying amount RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying amount RMB
Purchased software	43,942	(17,471)	-	26,471
Digital Sales Assistant system	25,430	(12,927)	-	12,503
Trademark and lifetime membership	9,960	-	-	9,960
Domain names	22,101	(6,285)	-	15,816
Customer relationships	211,310	(44,989)	-	166,321
Brand name	20,830	(819)	-	20,011
Business cooperation	3,447,689	(1,131,710)	(254,873)	2,061,106
Others	32,191	(1,539)	-	30,652
	<u>3,813,453</u>	<u>(1,215,740)</u>	<u>(254,873)</u>	<u>2,342,840</u>
	As of December 31, 2017			
	Gross carrying amount RMB	Accumulated amortization RMB	Impairment amount RMB	Net carrying amount RMB
Purchased software	58,686	(25,038)	-	33,648
Digital Sales Assistant system	25,430	(15,470)	-	9,960
Trademark and lifetime membership	13,095	(265)	-	12,830
Domain names	25,399	(8,431)	-	16,968
Customer relationships	244,822	(75,349)	-	169,473
Brand name	20,830	(2,760)	-	18,070
Business cooperation	3,447,689	(1,761,589)	(254,873)	1,431,227
Others	39,113	(4,968)	-	34,145
	<u>3,875,064</u>	<u>(1,893,870)</u>	<u>(254,873)</u>	<u>1,726,321</u>

Amortization expenses for the years ended December 31, 2015, 2016 and 2017 amounted to RMB495.6 million, RMB633.4 million and RMB688.6 million, respectively. The impairment of business cooperation in 2015 mainly related to resources to be provided through the channel of Paipai.com, as the Paipai.com business was terminated by JD. Further details are set out in Note 5.

The estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows:

	For the year ended December 31,				
	2018 RMB	2019 RMB	2020 RMB	2021 RMB	2022 RMB
Amortization expenses	697,100	671,441	206,881	26,525	20,444

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

12. Goodwill

	2015	2016	2017
	RMB	RMB	RMB
Balance as of January 1	328,927	329,000	444,933
Acquisition of subsidiaries	-	115,848	103,136
Disposal of subsidiaries	-	-	(4,326)
Foreign exchange difference	73	85	(88)
Balance as of December 31	<u>329,000</u>	<u>444,933</u>	<u>543,655</u>

Goodwill impairment is tested at the business segment level and there is no impairment charge as of December 31, 2015, 2016 and 2017.

	As of December 31, 2016			Total
	Advertising and subscription business RMB	Transaction services business RMB	Digital marketing solutions RMB	
Goodwill	327,754	115,848	1,331	444,933

	As of December 31, 2017			Total
	Advertising and subscription business RMB	Transaction services business RMB	Digital marketing solutions RMB	
Goodwill	327,754	116,716	99,185	543,655

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

13. Finance receivables, net

The Group provides automobile financial leasing services on its automotive financial services platform. Detailed information of finance receivables as of December 31, 2016 and 2017 are as follows:

	2016 RMB	2017 RMB
Finance receivables, gross		
- Within one year	7,443,959	16,363,872
- After one year but not more than five years	8,935,544	17,224,604
	<u>16,379,503</u>	<u>33,588,476</u>
Unearned finance income	(2,673,982)	(3,662,702)
	<u>13,705,521</u>	<u>29,925,774</u>
Allowance for credit losses	(22,486)	(134,169)
Finance receivables, net	<u><u>13,683,035</u></u>	<u><u>29,791,605</u></u>

Aging analysis of finance receivables are as follows:

	2016 RMB	2017 RMB
Not past due	13,497,984	29,069,556
Past due		
- Up to 1 month	110,032	411,830
- 1 to 3 months	40,331	198,671
- 3 to 6 months	37,584	177,070
- Over 6 months	19,590	68,647
	<u>13,705,521</u>	<u>29,925,774</u>
Allowance for credit losses	(22,486)	(134,169)
Finance receivables, net	<u><u>13,683,035</u></u>	<u><u>29,791,605</u></u>

Finance receivables due from related parties for the years ended December 31, 2016 and 2017 were RMB680.8 million and RMB121.0 million, which are presented as due from related parties.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

13. Finance receivables, net (continued)

Management assesses the allowance for credit losses of finance receivables collectively based on its estimates on historical experience and on various other assumptions that are believed to be reasonable, including estimated loss percentages of contracts that are not collectable, the historical migration pattern of past due balances, other information gathered through collection efforts and general economic conditions. Management reassesses the provision at each balance sheet date. As of December 31, 2016 and 2017, the allowance for credit losses was RMB22.5 million and RMB134.2 million, respectively. The movements in the allowance for credit losses are as follows:

	2016	2017
	RMB	RMB
Balance as of January 1	-	22,486
Charge for the year	29,052	196,320
Write off for the year	(6,566)	(84,637)
Balance as of December 31	<u>22,486</u>	<u>134,169</u>

Since 2016, the Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. As of December 31, 2016 and 2017, the collateralized finance receivables transferred to the securitization vehicles were RMB5.12 billion and RMB10.44 billion, respectively. Please refer to “Note 2 - Summary of significant accounting policies—Asset-backed securitization debt” for details. The Group also secures certain borrowings from financial institutions with the cash proceeds of certain of the Group’s finance receivables. As of December 31, 2016 and 2017, the finance receivables collateralized for borrowings from financial institutions were RMB2.18 billion and RMB12.20 billion, respectively.

14. Other non-current assets

	2016	2017
	RMB	RMB
Prepayment for automobiles	191,360	261,768
Automobiles purchased for future leases	250,151	583,298
Long-term prepaid expenses	387,408	123,554
Deposits and others	108,926	416,424
	<u>937,845</u>	<u>1,385,044</u>

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

15. Borrowings

The Group’s short term borrowings represent the borrowings which were payable within one year or on demand.

These short term and long term borrowings are collateralized by a pledge of time deposits with carrying values of RMB5.41 billion and RMB1.06 billion as of December 31, 2016 and 2017, respectively, which are presented as restricted cash in the consolidated balance sheets.

During 2017, the Group entered into revolving line of credit agreements with some commercial banks located in China. As of December 31, 2017, the total revolving line of credit was RMB1.98 billion (2016: RMB2.79 billion) and available within one year from the respective agreement date. There are no commitment fees associated with the unused portion of the line of credit. The major revolving line of credit is guaranteed by the Company or other entities within the Group.

The weighted average interest rate on borrowings outstanding as of December 31, 2016 and 2017 was approximately 4.9% and 6.4%, respectively.

As of December 31, 2017, the borrowings will be due according to the following schedule:

	<u>Within 1 year</u> RMB	<u>Between 1 to 2 years</u> RMB	<u>Between 2 to 3 years</u> RMB	<u>Between 3 to 4 years</u> RMB	<u>Between 4 to 5 years</u> RMB
Principal amounts	11,243,614	4,140,463	933,810	-	-

16. Asset-backed securitization debt

As of December 31, 2016 and 2017, the asset-backed debt securities were RMB4.43 billion and RMB8.78 billion, respectively. The weighted average interest rate for the outstanding asset-backed securitization debt as of December 31, 2016 and 2017 were approximately 4.7% and 5.7%. The amount of interest charges recognized for the year ended December 31, 2016 and December 31, 2017 were RMB81.0 million and RMB453.0 million.

As of December 31, 2017, the asset-backed securitization debt will be due according to the following schedule:

	<u>Within 1 year</u> RMB	<u>Between 1 to 2 years</u> RMB	<u>Between 2 to 3 years</u> RMB	<u>Between 3 to 4 years</u> RMB	<u>Between 4 to 5 years</u> RMB
Principal amounts	6,165,429	2,320,331	291,490	-	-

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

17. Convertible debt

On August 2, 2016, the Company issued convertible notes (the “PAG Notes”) for an aggregate principal amount of US\$150.0 million to PA Grand Opportunity Limited (PAG). The PAG Notes are due on August 1, 2021 and bear interest of 2% annually which will be paid semi-annually beginning on February 2, 2017.

The PAG Notes can be converted, at the holder's option, into the Company’s fully paid American Depositary Shares (“ADSs”) or ordinary shares with an initial conversion price of approximately US\$23.67 per ADS, representing an initial conversion rate of 4,224.7671 ADSs per US\$100,000 principal amount of the PAG Notes.

The issuance costs of the PAG Notes were US\$0.18 million and are being amortized to interest expense, using the effective interest method, until the maturity date of the PAG Notes.

The Company has accounted for the PAG Notes in accordance with ASC 470, as a single instrument classified as a long-term debt within the consolidated financial statements. The value of the PAG Notes is measured by the cash received. The Company recorded the interest expenses according to its annual interest rate. As of December 31, 2016 and 2017, the value of the PAG Notes in non-current liabilities is RMB859.2 million and RMB707.9 million, respectively.

The Company evaluated the embedded conversion features contained in the PAG Notes in accordance with ASC 815-10-15 to determine if the conversion option requires bifurcation. In accordance with ASC 815-10-15-83, the conversion option meets the definition of a derivative. However, bifurcation of conversion option from the PAG Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met as the conversion option is considered indexed to the entity’s own stock and classified in stockholders’ equity.

As the conversion option was not bifurcated, the Company then assessed if there was any beneficial conversion feature (“BCF”) in accordance with ASC 470-20. The Company recognized a BCF of US\$27.9 million (RMB185.7 million) through a credit to additional paid-in capital because the fair value per ordinary share of US\$28.08 exceeded the conversion price of US\$23.67 at the commitment date on August 2, 2016. The resulting discount of US\$27.9 million to the PAG Notes is then accreted to the redemption value as interest expense using the effective interest method through the consolidated statement of comprehensive income over the term of the PAG Notes.

The Company evaluated the embedded contingent redemption features contained in the PAG Notes in accordance with ASC 815-15-25-42 and ASC 815-15-25-26. The contingent redemption features were not required to be bifurcated because they are considered to be clearly and closely related to the debt host contract, as the PAG Notes were not issued at a substantial discount and are puttable at par.

On November 23, 2017, a third party investor who purchased US\$24.0 million of the PAG Notes from PAG notified the Company of its intent of conversion. Upon conversion, the Company issued 1,013,941 ordinary shares to the investor and accordingly, the balance of the PAG Notes converted and related unamortized discounts and issuance costs, which amounted to RMB158.5 million, were recorded as the Company’s shareholders’ equity. The unamortized BCF associated with the PAG Notes converted, which amounted to RMB23.3 million, was expensed immediately in accordance with ASC 470-20 “Debt with conversion and other options”.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

17. Convertible debt (continued)

For the year ended December 31, 2016 and December 31, 2017, the effective interest rate for PAG Notes was 6.5% and 6.5%, and the amount of interest charges recognized was RMB21.4 million and RMB53.8 million.

The expected repayment amount of the convertible debt is nil for each of the years ending December 31, 2018, 2019 and 2020 and US\$126.0 million for the year ended December 31, 2021.

18. Other payables and accruals

Components of other payables and accruals as of December 31, 2016 and 2017 are as follows:

	2016	2017
	RMB	RMB
Accrued payroll	196,693	251,651
Accrued expenses	49,304	150,835
Advances from customers	786,078	1,182,840
Other payables	195,632	488,428
Other tax payables	281,220	296,336
Deferred revenue	37,956	81,629
Interest payable	50,210	96,502
	<u>1,597,093</u>	<u>2,548,221</u>

The above balances are non-interest-bearing and are normally settled under the terms of 120 to 150 days. Included in advances from customers, are amounts received from dealer subscriptions and listing customers prior to revenue recognition amounting to RMB669.7 million and RMB898.7 million, and from leasing customers prior to revenue recognition amounting to RMB59.9 million and RMB240.6 million as of December 31, 2016 and 2017, respectively.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

19. Redeemable noncontrolling interests

	2016	2017
	RMB	RMB
Balance as of January 1	1,697,718	3,939,646
Issuance of shares of the Group’s subsidiaries	2,036,641	1,353,293
Conversion of redeemable noncontrolling interests to ordinary shares	-	(5,323,103)
Accretion to redeemable noncontrolling interests	205,287	332,117
	<u>3,939,646</u>	<u>301,953</u>

In 2015, 2016 and 2017, Yixin issued redeemable convertible preference shares to JD and other third-party investors. The redeemable convertible preference shares contain conversion features and redemption features. The Group records accretion of redemption value in accordance with ASC 480 “Distinguishing Liabilities from Equity”. The Group elects to use the effective interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests.

Upon completion of Yixin’s IPO on November 16, 2017, all the redeemable convertible preference shares were automatically converted into ordinary shares of Yixin. As a result, the Group held 45.2% of the outstanding ordinary shares of Yixin. However, through the voting proxy agreement that the Group entered into with JD and another shareholder, the Group is able to control Yixin by gaining the simple majority of the voting rights in Yixin’s shareholders’ meeting immediately after the IPO. Accordingly, the Group continues to consolidate the operations and the financial results of Yixin and provide for noncontrolling interests reflecting ordinary shares in Yixin held by shareholders other than the Group in the consolidated financial statements. The Group recognized a one-time credit to additional paid-in capital of RMB2.37 billion in shareholders’ equity in the consolidated balance sheets to reflect the increase in the value of the Group’s equity in Yixin that resulted from the completion of Yixin’s IPO and conversion of redeemable convertible preference shares.

In 2017, one subsidiary of the Group issued ordinary shares with redemption features to certain third-party investors. The Group classifies redeemable noncontrolling interests as mezzanine equity and records accretion of redemption value in accordance with ASC 480 “Distinguishing Liabilities from Equity”. The Group elects to use the effective interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the noncontrolling interests.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

20. Revenue

	2015	2016	2017
	RMB	RMB	RMB
Advertising and subscription services	3,106,025	3,432,986	3,922,158
Transaction services	664,225	1,551,676	3,872,244
Agent services	483,945	788,286	956,857
	<u>4,254,195</u>	<u>5,772,948</u>	<u>8,751,259</u>

21. Other gains, net

	2015	2016	2017
	RMB	RMB	RMB
Foreign currency exchange gains/(losses)	30,744	4,005	(1,721)
(Losses)/Gains on disposal of property, plant and equipment and intangible assets, net	(1,779)	22,993	16,430
Government grants	22,512	26,788	28,946
Others, net	9,031	17,195	(12,079)
	<u>60,508</u>	<u>70,981</u>	<u>31,576</u>

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

22. Income tax expense

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Under the Hong Kong tax laws, subsidiaries in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and they may be exempted from income tax on their foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends.

PRC

Under the PRC Enterprise Income Tax Law (“EIT Law”), EIT rate is 25% for enterprises incorporated in the PRC. Preferential EIT rates are available for enterprises qualified as High and New Technology Enterprises (“HNTEs”) and Software Enterprises (“SEs”). Entities qualified as HNTEs enjoy a reduced tax rate of 15% within three years after obtaining the HNTE certificate. An entity could re-apply for the HNTE certificate when the prior certificate expires. Historically, all of HNTEs of the Group successfully re-applied for the certificates when the prior ones expired. Entities qualified as SEs enjoy a two-year exemption for EIT from the first profitable year followed by a three-year half reduction in tax rate. In addition, in accordance with relevant PRC tax regulations, qualified entities established in specific geographical areas are exempt from EIT for five years, commencing from the first year of operation.

Further, pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared by PRC enterprises to their foreign non-resident enterprise investors. A lower withholding tax rate will be applied if tax treaty or arrangement benefits are available. According to the tax arrangement between the PRC and Hong Kong, withholding tax rate of 5% is applicable if direct foreign non-resident enterprise investors own directly at least 25% equity interest in the PRC enterprises and meet the relevant requirements.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

22. Income tax expense (continued)

Composition of income tax expense:

	2015 RMB	2016 RMB	2017 RMB
Current income tax	75,458	140,706	249,995
Deferred income tax	<u>(10,940)</u>	<u>6,863</u>	<u>(46,171)</u>
	<u>64,518</u>	<u>147,569</u>	<u>203,824</u>

Composition of deferred tax assets and liabilities:

	2016 RMB	2017 RMB
Deferred tax assets		
Amortization of intangible assets	680	698
Tax losses carried forward	29,255	26,828
Allowance for credit losses	5,622	41,119
Others	-	2,374
Less: valuation allowance	<u>(18,170)</u>	<u>(18,511)</u>
	<u>17,387</u>	<u>52,508</u>
Deferred tax liabilities		
Intangible assets arising from business combinations	<u>(51,617)</u>	<u>(52,237)</u>
	<u>(51,617)</u>	<u>(52,237)</u>
Net deferred tax (liabilities)/assets	<u>(34,230)</u>	<u>271</u>

Movement of valuation allowance:

	2015 RMB	2016 RMB	2017 RMB
Balance as of January 1	2,044	17,471	18,170
Additions	16,707	1,014	2,319
Reversals	<u>(1,280)</u>	<u>(315)</u>	<u>(1,978)</u>
Balance as of December 31	<u>17,471</u>	<u>18,170</u>	<u>18,511</u>

As of December 31, 2017, the Group had net operating losses carried forward of approximately RMB107.5 million which arose from the subsidiaries, VIEs and subsidiaries of VIEs established in the PRC. The losses carried forward will expire during the period from 2018 to 2022.

The Group did not provide for deferred taxes on the undistributed earnings of its subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC as of December 31, 2016 and 2017 on the basis of its intent to reinvest the earnings. As of December 31, 2016 and 2017, the total amount of undistributed earnings from the subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC was RMB1.86 billion and RMB2.79 billion, respectively. As of December 31, 2016 and 2017, determination of the amount of unrecognized deferred tax liability related to the earnings that are indefinitely reinvested is not practical.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

22. Income tax expense (continued)

Reconciliation of the differences between the statutory EIT rate applicable to profits of the consolidated entities and the income tax expenses of the Group:

	2015 RMB	2016 RMB	2017 RMB
Loss before tax	<u>(320,766)</u>	<u>(190,384)</u>	<u>(1,223,164)</u>
Income tax computed at statutory EIT rate (25%)	(80,192)	(47,596)	(305,791)
Effect of preferential tax rates for certain entities comprising the Group	(60,798)	(20,409)	(112,684)
Effect of differing tax rates in different jurisdictions	177,749	184,235	422,677
Non-deductible expenses and non-taxable income, net	11,960	34,012	188,069
Tax savings from additional deductions on certain research and development expenses available for subsidiaries incorporated in the PRC	-	(3,253)	(3,822)
Change in valuation allowances	15,427	699	1,933
Others	<u>372</u>	<u>(119)</u>	<u>13,442</u>
Income tax expense	<u>64,518</u>	<u>147,569</u>	<u>203,824</u>
Effective income tax rate	(20.1%)	(77.5%)	(16.7%)

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation

For the years ended December 31, 2015, 2016 and 2017, total share-based compensation expenses recognized were RMB120.0 million, RMB77.0 million and RMB1.19 billion, respectively.

Share incentive plan

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.

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 2010 Plan stipulates that if options are forfeited, the forfeited options can be added back to the option pool to be granted to other employees. The board of the Company may invite employees of the Company to subscribe for options over the Company’s ordinary shares.

On August 7, 2012, the Company implemented an Employee Stock Incentive Plan (“2012 Plan”) under which the Company has reserved 1,908,180.0 ordinary shares to motivate, attract and retain employees, and directors. The 2012 Plan permits the awards of options and RSUs.

On November 17, 2016, the Company implemented an Employee Stock Incentive Plan (“2016 Plan”) under which the Company has reserved 2,500,000.0 ordinary shares to attract and retain the best available personnel and provide additional incentives to employees, officers, directors and advisors of the Company. The 2016 Plan permits the awards of options and RSUs.

Share options

The Company granted share options on December 31, 2006, February 8, 2010, December 28, 2010 and August 7, 2012, respectively. Options granted typically expire in ten years from the respective grant dates, except for options granted on December 31, 2006 whose expiration date was extended to December 31, 2026. The options have graded vesting terms, and vest in equal tranches from the grant date over three or four years, on the condition that employees remain in service without any performance requirements.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation (continued)

The activities of share options for the year ended December 31, 2017 is summarized as below:

	Number of shares	Weighted average exercise prices US\$/Share	Aggregate intrinsic value US\$ in thousands	Weighted average remaining contractual life
Outstanding as of January 1, 2017	972,581.0	5.71	12,867	4.99 years
Granted during the year	-	-		
Exercised during the year	(558,875.0)	5.10		
Forfeited during the year	-	-		
Outstanding as of December 31, 2017	413,706.0	6.54	10,450	3.82 years
Exercisable as of December 31, 2017	413,706.0	6.54	10,450	3.82 years

The aggregate intrinsic value in the table above represents the difference between the Company’s closing stock price on the last trading day of the year and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2015, 2016 and 2017 was RMB51.2 million, RMB126.6 million and RMB93.2 million, respectively. The total fair value of options vested during the years ended December 31, 2015, 2016 and 2017 was RMB3.2 million, RMB3.4 million and nil, respectively.

For the years ended December 31, 2015, 2016 and 2017, share-based compensation expenses recognized associated with the share options were RMB1.4 million, RMB0.5 million and nil, respectively. As of December 31, 2017, there were no unrecognized share-based compensation expenses related to share options.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation (continued)

Restricted shares units

Starting from 2013, the Company granted RSUs under share incentive plans. The RSUs granted would vest (i) on the anniversary of the grant date, or in equal tranches from the grant date over three or four years, on the condition that employees remain in service without any performance requirements; or (ii) on specific dates, or in equal tranches from the grant date over three or four years, if the grantees’ key performance indicators were achieved on each vest date.

Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

The activities of RSUs for the year ended December 31, 2017 is summarized as below:

	Number of RSUs	Weighted-average fair value per RSU granted (US\$)
Outstanding as of January 1, 2017	1,446,080.0	26.34
Granted during the year	2,660,687.0	22.44
Vested and sold during the year	(890,959.0)	25.33
Forfeited during the year	(404,056.0)	23.26
Outstanding as of December 31, 2017	<u>2,811,752.0</u>	23.42
Vested as of December 31, 2017	<u>922,178.0</u>	22.28

The weighted-average grant-date fair value during the years ended December 31, 2015, 2016 and 2017 was US\$54.03, US\$23.25 and US\$22.44, respectively. The total fair value of the RSUs vested during the years ended December 31, 2015, 2016 and 2017 was RMB83.8 million, RMB99.4 million, RMB209.5 million, respectively.

For the years ended December 31, 2015, 2016 and 2017, share-based compensation recognized associated with the RSUs was RMB118.6 million, RMB75.8 million and RMB268.5 million, respectively. As of December 31, 2017, there was RMB181.4 million of unrecognized share-based compensation expense related to RSUs. The compensation expenses are expected to be recognized over a weighted-average period of 3.02 years.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation (continued)

Subsidiaries-Yixin

In November 2017, Yixin implemented share recapitalization to effect a 7-for-1 share split for all ordinary shares then issued and outstanding. All information related to Yixin’s ordinary shares and stock options have been retroactively adjusted to give effect to the share split.

On May 26, 2017, Yixin approved the establishment of the Pre-IPO Share Option Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The Pre-IPO Share Option Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under 2017 Share Incentive Plan shall be 418,464,263 shares.

On May 26, 2017, Yixin approved the establishment of the First Share Award Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The First Share Award Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under First Share Award Scheme shall be 70,830,417 shares.

On September 1, 2017, Yixin approved the establishment of the Second Share Award Scheme with the purpose of which is to provide an incentive for employees and persons contributing to Yixin. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Second Share Award Scheme shall be 5% of the total number of issued shares without Shareholders’ approval, subject to an annual limit of 3% of the total number of issued shares at the relevant time.

From July 2017 to October 2017, 395,341,709 share options were granted under the Pre-IPO Share Option Scheme to 149 grantees of Yixin. Subject to the grantee continuing to be an employee of Yixin, 49.0%, 17.7%, 12.0%, 12.0%, 9.0% and 0.3% of the share options shall vest in 2017, 2018, 2019, 2020, 2021 and 2022, respectively. The exercise price of the share options is US\$0.0014 per share.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation (continued)

The activities of Yixin’s share options for the year ended December 31, 2017 is summarized as below:

	Number of shares	Weighted average exercise prices US\$/Share	Aggregate intrinsic value US\$ in thousands	Weighted average remaining contractual life
Outstanding as of January 1, 2017	-		-	
Granted during the year	395,341,709	0.0014		
Exercised during the year	(1,134,000)	0.0014		
Forfeited during the year	(1,778,000)	0.0014		
Outstanding as of December 31, 2017	392,429,709	0.0014	314,387	9.55
Exercisable as of December 31, 2017	192,599,071	0.0014	314,387	9.51

The aggregate intrinsic value in the table above represents the difference between Yixin’s closing stock price on the last trading day of the year and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2017 was RMB5.2 million. The total fair value of options vested during the years ended December 31, 2017 was RMB690.0 million.

For the year ended December 31 2017, total share-based compensation expenses recognized were RMB891.7 million, and there was RMB567.0 million unrecognized compensation expenses related to share options granted by Yixin. The compensation expenses are expected to be recognized over a weighted-average period of 3.39 years.

The estimate of the fair values of the options were 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 on the date of grant and weighted-average fair value per option granted:

	July 3, 2017		October 1, 2017	
Fair value per share	US\$	0.53	US\$	0.70
Exercise price	US\$	0.0014	US\$	0.0014
Risk-free interest rate		2.50%		2.46%
Dividend yield		0.00%		0.00%
Weighted-average fair value per option granted	US\$	0.53	US\$	0.70
Expected volatility		51%		56%
Expected terms		10 years		10 years

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

23. Share-based compensation (continued)

Subsidiaries-Others

Other subsidiary of the Company also has equity incentive plans granting RSUs. For the year ended December 31 2017, total share-based compensation expenses recognized were RMB23.3 million, and there was RMB63.0 million unrecognized compensation expenses related to RSUs granted by other subsidiary.

24. Earnings per share

The following table sets forth the computation of basic and diluted net loss per share for the following periods:

	2015	2016	2017
Numerator:			
Net loss attributable to Bitauto Holdings Limited	(506,992)	(541,345)	(1,611,114)
Income allocation to participating securities of subsidiaries	-	-	(2,936)
Numerator for basic net loss per share	<u>(506,992)</u>	<u>(541,345)</u>	<u>(1,614,050)</u>
Dilutive effect of redeemable convertible preference shares and share options of subsidiaries	-	-	(11,036)
Numerator for diluted net loss per share	<u>(506,992)</u>	<u>(541,345)</u>	<u>(1,625,086)</u>
Denominator:			
Weighted average number of shares - basic	58,142,432	65,160,205	70,154,910
Dilutive effect of potentially issuable ordinary shares	-	-	-
Weighted average number of shares - diluted	<u>58,142,432</u>	<u>65,160,205</u>	<u>70,154,910</u>
Net loss per ordinary share - basic	<u>(8.72)</u>	<u>(8.31)</u>	<u>(23.01)</u>
Net loss per ordinary share - diluted	<u>(8.72)</u>	<u>(8.31)</u>	<u>(23.16)</u>

The redeemable convertible preference shares were not included in the calculation of diluted net loss per share because they are anti-dilutive for the years ended December 31, 2015 and 2016.

The weighted average number of shares, that could potentially dilute basic net loss per share in the future including incremental shares of ordinary shares issuable upon the exercise of share options and RSUs, and conversion of convertible debt, but were not included in the computation of diluted net loss per share because they were anti-dilutive for the years presented, are 2,157,626, 4,030,651 and 8,126,552 for the years ended December 31, 2015, 2016 and 2017.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

25. Related party transactions

The table below sets forth the related parties and their relationships with the Group as of December 31, 2017:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Chetuan E-Commerce Ltd. (“Chetuan”)	An investee of the Group
Shanghai Eclicks Network Co. Ltd. (“Eclicks”)	An investee of the Group
TTP CAR INC. (“TTP”)	An investee of the Group
Beijing Anxinbao Insurance Brokerage Co., Ltd. (“Anxinbao”)	An investee of the Group
Beijing Jingzhengu Information Technology Co., Ltd. (“Jingzhengu”)	An investee of the Group
Wuhan Kuanter Investment Co., Ltd (“Wuhan Kuantu”)	An investee of the Group
JD	Ordinary shareholder of the Group

As of December 31, 2015 and 2016, Xinchuang was a related party as an investee of the Group. In January 2017, the Group acquired additional equity interests of Xinchuang to obtain control of it and Xinchuang became a subsidiary of the Group as of December 31, 2017.

The Group entered into the following transactions for the years ended December 31, 2015, 2016 and 2017 with related parties:

	2015	2016	2017
	RMB	RMB	RMB
Services provided to related parties:			
Automobile transaction services provided to Chetuan	168,343	79,632	9,830
Advertising services provided to Xinchuang	86,308	79,922	-
Advertising services provided to TTP	10,020	32,059	15,260
Other transaction services provided to Anxinbao	-	-	14,183
Others	2,079	2,966	27,741
	<u>266,750</u>	<u>194,579</u>	<u>67,014</u>
Services purchased from related parties:			
Automobile transaction services purchased from Chetuan	-	86,632	-
Advertising services purchased from Xinchuang	9,982	16,024	-
Advertising services purchased from Eclicks	69,642	85,838	98,530
Marketing and promotion services purchased from JD	35,051	22,102	40,411
Used car valuation services purchased from Jingzhengu	-	3,366	14,400
Others	4,806	16,597	31,155
	<u>119,481</u>	<u>230,559</u>	<u>184,496</u>

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

25. Related party transactions (continued)

The Group had the following balances as of December 31, 2016 and 2017 with related parties:

	2016 RMB	2017 RMB
Due from Chetuan	341,796	153,214
Due from Xinchuang	24,162	-
Due from Anxinbao	-	9,593
Due from Wuhan Kuantu	-	5,281
Others	43,133	36,943
	<u>409,091</u>	<u>205,031</u>
Due to Eclicks	55,000	81,440
Due to Jingzhengu	-	3,170
Others	29,447	13,631
	<u>84,447</u>	<u>98,241</u>

The Group provided unsecured loans for a total of RMB20.0 million to Wuhan Kuantu, with an initial term of 12 months at an interest rate of 1.5% per annum. As at December 31, 2017, a provision of RMB15.0 million was recorded against the loan balance, based on the amount the Group expected to recover from Wuhan Kuantu.

Loans from JD:

	2016 RMB	2017 RMB
Balance as of January 1	-	-
Loans received during year	-	2,036,020
Loans repayment made	-	(2,036,020)
Interest charged	-	22,244
Interest paid	-	(22,244)
Balance as of December 31	<u>-</u>	<u>-</u>

On March 3, 2017, JD subscribed to a total of RMB835.0 million in Yixin’s asset-backed securitization transactions with the applicable interest rate per annum of 6.20% and 8.94% in the two separate tranches of asset-backed debt securities, respectively. Yixin also agreed to repurchase the securities in three months at a price comprised of the cost of the investment and any accrued interests. The transaction is accounted for as a collateral loan from JD. On June 2, 2017, the loan was repaid in full by Yixin. On July 12, 2017, JD subscribed to a total of RMB201.0 million of asset-backed debt securities mentioned above. On November 14, 2017, the principal of the loan was repaid in full by Yixin. On December 27, 2017, Yixin settled all interests charged. On November 7, 2017, Yixin extended a short-term loan amounting to RMB1.00 billion from JD at an interest rate of 6.525% per annum. On December 4, 2017, the loan was repaid in full by Yixin.

The transactions with other related parties, and balance with other related parties are individually and aggregately insignificant.

26. Commitments and contingencies

Operating lease commitments

The Group has leased office premises under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2017
	RMB	RMB
Within one year	93,185	119,484
After one year but not more than five years	150,467	172,452
Later than five years	-	1,823
	<u>243,652</u>	<u>293,759</u>

For the years ended December 31, 2015, 2016 and 2017, the Group incurred rental expenses under operating leases of RMB104.5 million, RMB123.1 million and RMB136.6 million, respectively.

Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016	2017
	RMB	RMB
Purchase of automobiles	<u>499,822</u>	<u>503,903</u>
	<u>499,822</u>	<u>503,903</u>

Legal proceedings

From time to time, the Group is subject to legal proceedings, investigations and claims incidental to the conduct of our business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, balance sheets, results of operations or cash flows. From time to time, the Group may be subject to legal proceedings, investigations and claims incidental to our business conduct.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

27. Operating segment information

As disclosed in Note 2(e), the Group managed its business in three segments, namely advertising and subscription business, transaction services business and digital marketing solutions business.

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 external customers within the PRC, no geographical segments are presented.

For the purpose of preparing segment information, all the intersegment transactions have been eliminated and only revenue from external customers are presented as segment revenue. The Group does not allocate 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 operating profit. A reconciliation of operating profit to profit before tax is presented in the consolidated statements of comprehensive income.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

27. Operating segment information (continued)

	Advertising and subscription business	Transaction services business	Digital marketing solutions	Total
Year ended, December 31, 2015				
Revenue	3,106,025	664,225	483,945	4,254,195
Gross profit	2,344,872	237,585	220,994	2,803,451
Income/(Loss) from operations	553,455	(1,053,483)	37,890	(462,138)
Year ended, December 31, 2016				
Revenue	3,432,986	1,551,676	788,286	5,772,948
Gross profit	2,542,534	668,238	484,197	3,694,969
Income/(Loss) from operations	592,611	(848,267)	146,428	(109,228)
Year ended, December 31, 2017				
Revenue	3,922,158	3,872,244	956,857	8,751,259
Gross profit	3,076,332	1,902,614	537,633	5,516,579
Income/(Loss) from operations	444,564	(1,525,073)	3,916	(1,076,593)

The income/(loss) from operations for the year ended December 31, 2015 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB69.4 million, RMB745.0 million and RMB6.1 million, respectively.

The income/(loss) from operations for the year ended December 31, 2016 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB52.3 million, RMB619.3 million and RMB8.3 million, respectively.

The income/(loss) from operations for the year ended December 31, 2017 for advertising and subscription business, transaction services business, and digital marketing solutions included depreciation and amortization expenses of RMB58.5 million, RMB788.7 million and RMB26.7 million, respectively.

For the years ended December 31, 2016 and 2017, the leasing revenue were RMB863.7 million and RMB3.03 billion, and funding costs were RMB187.2 million and RMB1.14 billion, respectively. The leasing revenue and funding costs were immaterial for the years ended December 31, 2015.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

28. Restricted net assets

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC laws and regulations permit payments of dividends by the Company’s subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Company’s subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their net income based on PRC accounting standards to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reach 50% of the registered capital of the entity. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the discretion of the respective entity.

In addition, in accordance with the PRC Company Laws, the Company’s VIEs and subsidiaries of VIEs, registered as Chinese domestic companies, must make appropriations from their net income based on PRC accounting standards to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the net income based on PRC accounting standards until such appropriations for the fund reached 50% of the registered capital of the entity. Appropriation to the discretionary surplus fund is made at the discretion of the respective entity. In addition, registered capital is also restricted from withdrawal in the PRC.

As of December 31, 2017, the Company’s subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC had registered capital and reserve funds appropriated of RMB20.11 billion.

As a result of these PRC laws and regulations that require annual appropriations of 10% of net income to be set aside, prior to payments of dividends as general reserve fund or statutory reserve fund, the Company’s subsidiaries, VIEs and subsidiaries of VIEs registered in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends, loans and advances. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, funding of future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

29. Parent company only condensed financial information

The Company performed a test on the restricted net assets of consolidated subsidiaries, VIEs and subsidiaries of VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), “General Notes to Financial Statements” and concluded that it was applicable for the Company to disclose the financial information for the parent company only. The subsidiaries did not pay any dividend to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2017.

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

29. Parent company only condensed financial information (continued)

Condensed balance sheets

	As of December 31,	
	2016	2017
	RMB	RMB
Assets		
Current assets		
Cash and cash equivalents	154,020	66,662
Prepayments and other receivables	13,046	51,760
Total current assets	<u>167,066</u>	<u>118,422</u>
Non-current assets		
Investments in subsidiaries, VIEs and subsidiaries of VIEs	1,562,089	6,429,473
Investment in equity investees	48,276	43,945
Intangible assets, net	2,061,106	1,431,226
Due from subsidiaries, VIEs and subsidiaries of VIEs	6,583,747	6,222,037
Total non-current assets	<u>10,255,218</u>	<u>14,126,681</u>
Total assets	<u>10,422,284</u>	<u>14,245,103</u>
Liabilities		
Current liabilities		
Accruals and other payables	19,498	73,807
Total current liabilities	<u>19,498</u>	<u>73,807</u>
Non-current liabilities		
Due to subsidiaries, VIEs and subsidiaries of VIEs	102	2,134,755
Convertible debt	859,166	707,854
Total non-current liabilities	<u>859,268</u>	<u>2,842,609</u>
Total liabilities	<u>878,766</u>	<u>2,916,416</u>
Shareholders' Equity		
Ordinary shares(US\$0.00004 par value; 1,250,000,000 shares authorized as of December 31, 2016 and 2017, respectively; 70,726,025 shares issued and outstanding as of December 31, 2016; 72,739,966 shares issued and outstanding as of December 31, 2017, respectively)	19	19
Additional paid-in capital	8,903,759	12,220,493
Treasury shares	(41,888)	(20,411)
Statutory reserve	89,841	153,538
Accumulated other comprehensive income	742,302	468,257
Accumulated deficit	(150,515)	(1,493,209)
Total shareholders' equity	<u>9,543,518</u>	<u>11,328,687</u>
Total liabilities and shareholders' equity	<u>10,422,284</u>	<u>14,245,103</u>

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

29. Parent company only condensed financial information (continued)

Condensed statements of comprehensive income

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Selling and administrative expenses	(806,198)	(689,656)	(910,515)
Other gains	11	5	38,948
Loss from operations	(806,187)	(689,651)	(871,567)
Interest income	11,201	1,209	1,592
Interest expense	-	(21,407)	(77,158)
Share of results of equity investees	(4,782)	(24,354)	(52,055)
Equity in profit/(loss) of subsidiaries, VIEs and subsidiaries of VIEs	292,776	192,858	(611,926)
Loss before tax	(506,992)	(541,345)	(1,611,114)
Net loss	(506,992)	(541,345)	(1,611,114)
Other comprehensive loss			
Foreign currency exchange gains/(losses), net of tax of nil	344,748	459,227	(274,045)
Total comprehensive loss, net of tax	(162,244)	(82,118)	(1,885,159)

BITAUTO HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(Amounts in thousands of Renminbi (“RMB”), except for share and per share data)

29. Parent company only condensed financial information (continued)

Condensed statements of cash flows

	For the year ended December 31,		
	2015	2016	2017
	RMB	RMB	RMB
Net cash provided by/(used in) operating activities	23,307	(9,711)	104,295
Net cash used in investing activities	(2,561,029)	(3,195,265)	(238,475)
Net cash provided by financing activities	<u>3,375,896</u>	<u>2,198,272</u>	<u>354,821</u>
Effect of exchange rate changes on cash and cash equivalents	111,329	148,031	(307,999)
Increase/(Decrease) in cash and cash equivalents	949,503	(858,673)	(87,358)
Cash and cash equivalents at beginning of the year	<u>63,190</u>	<u>1,012,693</u>	<u>154,020</u>
Cash and cash equivalents at end of the year	<u><u>1,012,693</u></u>	<u><u>154,020</u></u>	<u><u>66,662</u></u>

Basis of presentation

The Company’s accounting policies are the same as the Group’s accounting policies with the exception of the accounting for the investments in subsidiaries, VIEs and subsidiaries of VIEs.

For the Company only condensed financial information, the Company records its investments in subsidiaries, VIEs and subsidiaries of VIEs under the equity method of accounting as prescribed in ASC 323 “Investments-Equity Method and Joint Ventures”. Such investments are presented on the condensed balance sheets as “investment in subsidiaries, VIEs and subsidiaries of VIEs” and shares in the subsidiaries, VIEs and subsidiaries of VIEs’ profit are presented as “equity in profit of subsidiaries, VIEs and subsidiaries of VIEs” on the condensed statements of comprehensive income. The cash flows used in the investing activities are primarily associated with the loans to the subsidiaries, VIEs and subsidiaries of VIEs. The parent company only condensed financial information should be read in conjunction with the Group’ consolidated financial statements.

YIXIN CAPITAL LIMITED
SERIES C PREFERENCE SHARES SUBSCRIPTION
AGREEMENT

Dated as of May 11, 2017

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND TERMS	2
Section 1.1 Definitions	2
Section 1.2 Other Definitional Provisions	9
ARTICLE II PURCHASE AND SALE	10
Section 2.1 Sale and Issuance of Subscription Shares	10
Section 2.2 Signing, Closing, Payment and Delivery	11
ARTICLE III CONDITIONS TO CLOSING	12
Section 3.1 Conditions to the Purchaser's Obligations to Effect the Closing	12
Section 3.2 Conditions to the Company' Obligations to Effect the Closing	14
ARTICLE IV REPRESENTATIONS AND WARRANTIES	15
Section 4.1 Representations and Warranties of the Company	15
Section 4.2 Representations and Warranties of the Key Holder	21
Section 4.3 Representations and Warranties of the Purchaser	27
ARTICLE V COVENANTS	29
Section 5.1 Further Assurances	29
Section 5.2 Use of Proceeds	29
Section 5.3 Cooperation	29
Section 5.4 SAFE Registration	29
Section 5.5 Permits	29
Section 5.6 Access	29
Section 5.7 Conduct of Business of the Company	30
Section 5.8 Compliance with Legal Requirements	30
Section 5.9 Adoption of the ESOP	30
Section 5.10 Tax Filings	30
Section 5.11 Permits for Automobile Operating Leasing Business and the Used Automobile Business	30
Section 5.12 Change of Contributed Assets and Asset List	30
Section 5.13 Trademarks	31
Section 5.14 Equity Transfer by the Key Holder	31
Section 5.15 Change of business scope	31
Section 5.16 Transferred Subsidiary	31
Section 5.17 Transferred Employees	31
Section 5.18 Restructuring Documents	32
Section 5.19 Covenants relating to Restructuring	32
Section 5.20 Non-Assignable Assets	32



ARTICLE VI LIQUIDATED DAMAGES	33
Section 6.1 Valuation of Non-Contributed Assets	33
Section 6.2 Payment of liquidated damages	35
ARTICLE VII INDEMNIFICATION	35
Section 7.1 Survival of the Representations and Warranties	35
Section 7.2 Indemnification	35
Section 7.3 Third Party Claims	36
Section 7.4 Other Claims	37
Section 7.5 Limitations on Liability	37
Section 7.6 Exclusive Remedy	37
ARTICLE VIII MISCELLANEOUS	37
Section 8.1 Disclosure Schedule References	37
Section 8.2 Governing Law; Arbitration	38
Section 8.3 Amendment	38
Section 8.4 Binding Effect	38
Section 8.5 Assignment	38
Section 8.6 Notices	38
Section 8.7 Entire Agreement	39
Section 8.8 Severability	39
Section 8.9 Fees and Expenses	39
Section 8.10 Confidentiality	39
Section 8.11 Specific Performance	40
Section 8.12 Termination	40
Section 8.13 Headings	41
Section 8.14 Execution in Counterparts	41
Section 8.15 Press Release and Public Filing	41
Section 8.16 Waiver	41
Section 8.17 No Third Party Right	41
SCHEDULE A SCHEDULE OF PURCHASER	S-A-1

SERIES C PREFERENCE SHARES SUBSCRIPTION AGREEMENT

This Series C Preference Shares Subscription Agreement (this "Agreement") is made as of May 11, 2017, by and among:

- (i) Yixin Capital Limited, a company incorporated in the Cayman Islands (the "Company"),
- (ii) Bitauto Holdings Limited, a company incorporated in the Cayman Islands (the "Key Holder"), and
- (iii) the purchaser set forth on Schedule A to this Agreement (the "Purchaser").

Each of the Purchaser, the Company and the Key Holder is referred to herein as a "Party," and collectively as the "Parties."

WITNESSETH:

WHEREAS, the Company is engaged in the following businesses: online financial services business, financial leasing business, operating lease business, automobile-related insurance business, financial assessment business, auto-finance agency services, auto-finance information and advertising services, and other related financial business in the PRC (including but not limited to stock financing services for trade partners and sales of asset-backed securities) (collectively, the "Business"), and is seeking expansion capital to grow the Business;

WHEREAS, the Key Holder has entered into (i) the Contribution Agreement in relation to the contribution of the Used Automobile Business on the date of this Agreement with the Company, in the form agreed to by the Purchaser (the "Contribution Agreement") and (ii) the Business Cooperation Agreement with the Company in relation to the provision of financial services traffic support and used automobile traffic support on the date of this Agreement with the Company, in the form agreed to by the Purchaser (the "Business Cooperation Agreement");

WHEREAS, the Company desires to issue and allot to the Purchaser, and the Purchaser desires to subscribe for and acquire from the Company, upon the terms and conditions set forth in this Agreement, the Series C preference shares of the Company, par value US\$0.0001 per share (the "Series C Preference Shares"); and

WHEREAS, the Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Parties agree as follows:

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

“Accounting Principles” shall mean, (i) with respect to unconsolidated financial statements of the Company and its non-PRC Subsidiaries, the International Financial Reporting Standards as issued by the International Accounting Standards Board, the Generally Accepted Accounting Principles in the United States or the Generally Accepted Accounting Principles in Hong Kong, (ii) with respect to unconsolidated financial statements of the Company’s PRC Subsidiaries, the Generally Accepted Accounting Principles in the PRC, and (iii) with respect to consolidated financial statements of the Company, the International Financial Reporting Standards as issued by the International Accounting Standards Board or the Generally Accepted Accounting Principles in the United States.

“ACT” shall have the meaning set forth in Section 2.2(c).

“Actions” shall mean actions, claims, demands, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings.

“Affiliate” of a Person (the “Subject Person”) shall mean (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (b) in the case of a natural person, any other Person that is directly or indirectly Controlled by the Subject Person or is a Relative of the Subject Person; provided that the Company and its Subsidiaries shall be deemed not to be Affiliates of the Purchaser.

“Agreement” shall have the meaning set forth in the Preamble.

“Articles” shall mean the Memorandum and Articles of Association of the Company in force and effect, as amended and restated from time to time.

“Asset List” shall mean the Asset List attached to the Contribution Agreement.

“Authorization” shall mean consent, approval, order or authorization of, or registration with, or the giving notice to, any Governmental Authority or any third party.

“Business” shall have the meaning set forth in the Recitals.

“Business Cooperation Agreement” shall have the meaning set forth in the Recitals.

“Business Day” shall mean any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, New York, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“Claim Notice” shall have the meaning set forth in Section 7.3(a).

“Closing” shall have the meaning set forth in Section 2.2(b)(i).

“Company” shall have the meaning set forth in the Preamble.

“Company Intellectual Property” shall mean all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, tradenames, copyrights, trade secrets, domain names, mask works, information and proprietary rights and processes, similar or other intellectual property rights, subject matter of any of the foregoing, tangible embodiments of any of the foregoing, licenses in, to and under any of the foregoing, and any and all such cases as are necessary to the Company in the conduct of the Business.

“Confidential Information” shall have the meaning set forth in Section 8.10(a).

“Contemplated Transactions” shall mean the transactions contemplated by the Transaction Documents.

“Contract” shall mean, as to any Person, a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

“Contributed Assets” shall mean all the Transferred Entities, Transferred Fixed Assets, Transferred IP, Transferred Leases, Transferred Employees, Transferred Contracts and other assets as set out in the Asset List.

“Contributing Parties” shall mean the Key Holder and its Subsidiaries will contribute the relevant Contributed Assets in accordance with the Contribution Agreement.

“Contribution Agreement” shall have the meaning set forth in the Recitals.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person. The term “Controlled” has the meaning correlative to the foregoing.

“Control Documents” shall mean, collectively, the agreements made from time to time, which enable the Company to exclusively Control, and consolidate in its financial statements the results of the VIE Entity, entered into between the WFOE on the one hand and the VIE Entity or the shareholders of the VIE Entity on the other hand.

“Disclosure Schedule” shall mean the disclosure schedule attached to this Agreement as Exhibit C regarding this Agreement that has been provided by the Company to the Purchaser.

“Dispute” shall have the meaning set forth in Section 8.2.

“Employment Agreement” shall mean an employment, confidentiality, non-competition, non-solicitation and assignment of inventions agreement by and between a Key Person and the Company or one of its Subsidiaries in form and substance reasonably satisfactory to the Purchaser and in the form attached hereto as Exhibit D.

“Encumbrance” shall mean (a) any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse claims as to title, possession or use, or other encumbrance, priority or security interest, over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same, and (b) any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, negotiation or refusal or transfer restriction in favor of any Person.

“Equity Securities” shall mean, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, Ordinary Shares and Preference Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

“ESOP” shall mean the employee equity incentive plan in respect of 12,357,140 Ordinary Shares representing 1.5% of the issued and outstanding Equity Securities of the Company after Closing, such employee equity incentive plan to be adopted by the Company after Closing and in the form and substance reasonably satisfactory to the Purchaser.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“Financial Statements” shall have the meaning set forth in Section 3.1(n).

“FINRA” shall have the meaning set forth in Section 4.3(f)(vi).

On a “fully diluted basis” shall mean, for the purpose of calculating share numbers, that the calculation is to be made assuming that all outstanding options, warrants and other securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged, and, in case of calculating the numbers of the Shares, giving effect to the Closing and the Ordinary Shares reserved for issuance under the ESOP.

“Fundamental Representations” shall mean the representations and warranties made by the Company or the Key Holder (as the case may be) to the Purchaser pursuant to Section 4.1(a), Section 4.1(b), Section 4.1(c), Section 4.1(d), Section 4.1(e), Section 4.1(f), Section 4.1(h), Section 4.1(k), Section 4.2(a), Section 4.2(b), Section 4.2(c), Section 4.3(a), Section 4.3(b) and Section 4.3(c).

“Governmental Authority” shall mean any government or political subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, commission, court, department or other instrumentality thereof and any governing body of any securities exchange.

“Group” or “Group Companies” shall mean collectively the Company and its Subsidiaries, and a “Group Company” means any of them. For the avoidance of doubt, Group or Group Companies shall not include any of the Transferred Entities and its Subsidiaries.

“Indebtedness” shall mean as of any time with respect to any Person, without duplication,

(a) all Liabilities for borrowed money, whether current or funded, secured or unsecured, all obligations evidenced by bonds, debentures, notes or similar instruments, (b) all Liabilities for the deferred purchase price of property (other than trade payables in the ordinary course outstanding for ninety (90) days or less); (c) all Liabilities in respect of any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which Liabilities are required to be classified and accounted for under the Accounting Principles as capital leases; (d) all Liabilities for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction securing obligations of a type described in clauses (a), (b) or (c) above to the extent of the obligation secured, and all Liabilities as obligor, guarantor, or otherwise, to the extent of the obligation secured; (e) all guarantees of obligations of any other Person with respect to any of the foregoing, and (f) any accrued and unpaid interest on any of the foregoing.

“Indemnified Party” shall have the meaning set forth in Section 7.2.

“Indemnifying Party” shall have the meaning set forth in Section 7.2.

“Indemnity Notice” shall have the meaning set forth in Section 7.4.

“Key Holder” shall have the meaning set forth in the Preamble.

“Key Holder Party” shall mean the Key Holder and its Subsidiaries (including any variable interest entities Controlled by the Key Holder or such Subsidiaries). For purpose of the definition of “Key Holder Party,” the Subsidiaries of the Key Holder shall exclude the Company and its Subsidiaries.

“Key Person” shall mean such Persons as set out in Schedule D, and any other Persons agreed from time to time among the Company, the Key Holder and the Purchaser.

“Law” or “Laws” shall mean all applicable laws, regulations, rules and Orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.

“Liabilities” shall mean any and all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, asserted or not asserted, known or unknown, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by the Accounting Principles to be reflected in financial statements or disclosed in the notes thereto.

“Losses” shall have the meaning set forth in Section 7.2.

“Material Adverse Effect” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on any of (i) the condition, assets, Liabilities, results of operations, or business of the Group Companies taken as a whole, except to the extent that any such Material Adverse Effect results from (A) the identity of the Purchaser or its Affiliates, (B) changes in the Accounting Principles or generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting the Company or its Subsidiaries), (C) changes in general economic and market conditions (to the extent not materially disproportionately affecting the Business, the Company or its Subsidiaries), (D) acts of war, sabotage or terrorism or natural disaster involving any jurisdiction in which the Company and its Subsidiaries operate, (E) any action taken by the Company or the Group Companies that is required or expressly contemplated to be taken pursuant to the Transaction Documents, or (F) any action taken (or omitted to be taken) at the request of the Purchaser or its Affiliates; or (ii) the ability of the Company or its Affiliates to consummate the Contemplated Transactions.

“Non-assignable Asset” shall have the meaning set forth in the Contribution Agreement.

“Non-assignable Contract” shall have the meaning set forth in the Contribution Agreement.

“Non-assignable Fixed Assets” shall have the meaning set forth in the Contribution Agreement.

“Non-assignable IP” shall have the meaning set forth in the Contribution Agreement.

“Order” shall mean any order, ruling, decision, verdict, decree, writ, subpoena, mandate, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“Ordinary Shares” shall mean the ordinary shares of par value of US\$0.0001 each in the capital of the Company.

“Party” shall have the meaning set forth in the Preamble.

“Person” shall mean any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“PRC” shall mean the People’s Republic of China, but for the purposes of this Agreement, excluding Hong Kong, Macau and Taiwan.

“Preference Shares” shall mean the Series A Preference Shares, the Series B Preference Shares and the Series C Preference Shares.

“Purchaser” shall have the meaning set forth in the Preamble.

“Relative” of a natural person means any spouse, parent, child, or sibling of such person.

“Restated Articles” shall mean the Third Amended and Restated Memorandum and Articles of Association of the Company in the form attached hereto as Exhibit A.

“Restated Shareholders Agreement” shall mean the Second Amended and Restated Shareholders Agreement to be entered into by and among the Purchaser, the Company and other shareholders of the Company, dated the date of the Closing, in the form attached hereto as Exhibit B.

“Restructuring” shall have the meaning set forth in the Contribution Agreement.

“Restructuring Documents” shall have the meaning set forth in the Contribution Agreement.

“SAFE” shall mean the State Administration of Foreign Exchange of the PRC and its local branches.

“SAFE Rules and Regulations” shall mean the SAFE Circular of State Administration of Foreign Exchange on Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles (《国家外汇管理局关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》(汇发[2014]37号)) issued by SAFE on July 4, 2014 with effect from the same date, and any other related guidelines, implementing rules, reporting and registration requirements issued by SAFE.

“Securities Laws” shall mean the Securities Act, the Exchange Act, the listing rules of, or any listing agreement with, the applicable stock exchange and any other applicable law regulating securities or takeover matters.

“Series A Preference Shares” shall mean the Series A Preference Shares of the Company, par value US\$0.0001 per share.

“Series B Preference Shares” shall mean the Series B Preference Shares of the Company, par value US\$0.0001 per share.

“Series C Preference Shares” shall have the meaning set forth in the Recitals.

“Share Pledge” shall mean the share pledge agreement between the WFOE, the VIE Entity and its shareholders as one of the Control Documents, as amended and restated from time to time.

“Shareholders Agreement” shall mean the Amended and Restated Shareholders Agreement by and among the holders of the Series A Preference Shares, the holders of the Series B Preference Shares and the Company, dated August 19, 2016.

“Subscription Shares” shall mean the Series C Preference Shares issued to the Purchaser pursuant to this Agreement.

“Subsidiary” shall mean, with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is Controlled by such Person. For the avoidance of the doubt, a “variable interest entity” Controlled by a Person shall be deemed a Subsidiary of such Person.

“Third Party Claim” shall have the meaning set forth in Section 7.3(a).

“Transaction Documents” shall mean, collectively, this Agreement, the Restated Shareholders Agreement, the Restated Articles, the Contribution Agreement and the Business Cooperation Agreement and any other agreements, documents or certificates executed and delivered pursuant hereto or thereto or in connection herewith or therewith.

“Transferred Contracts” shall mean the business Contracts set out in the Asset List.

“Transferred Employees” shall mean the employees set out in the Asset List.

“Transferred Entities” shall mean the Transferred Subsidiary and its Subsidiaries set out in the Asset List.

“Transferred Fixed Assets” shall mean the fixed assets set out in the Asset List.

“Transferred IP” shall mean the intellectual property rights set out in the Asset List.

“Transferred Leases” shall mean the leases set out in the Asset List.

“Transferred Subsidiary” shall have the meaning set forth in the Contribution Agreement.

“Used Automobile Business” shall have the meaning set forth in the Contribution Agreement.

“Used Automobile Business Material Adverse Effect” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on any of (i) the condition, assets, Liabilities, results of operations, or business of the Used Automobile Business taken as a whole, except to the extent that any such Used Automobile Business Material Adverse Effect results from (A) the identity of the Purchaser or its Affiliates, (B) changes in the Accounting Principles or generally accepted accounting principles that are generally applicable to comparable companies engaging in used automobile business (to the extent not materially disproportionately affecting the Used Automobile Business), (C) changes in general economic and market conditions (to the extent not materially disproportionately affecting the Used Automobile Business), (D) acts of war, sabotage or terrorism or natural disaster involving any jurisdiction in which the Used Automobile Business operates, (E) any action taken by the Key Holder or its Affiliates that is required or expressly contemplated to be taken pursuant to the Transaction Documents, or (F) any action taken (or omitted to be taken) at the request of the Purchaser or its Affiliates; or (ii) the ability of the Key Holder or its Affiliates to consummate the Contemplated Transactions.

“VIE Entity” shall mean Beijing Yixin Information Technology Co., Ltd., (北京易鑫信息科技有限公司), a company incorporated in the PRC.

“WFOE” shall mean Shanghai Techuang Advertising Co., Ltd. (上海特创广告有限公司), a wholly foreign-owned entity established directly or indirectly by the Company.

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

(a) the words “hereof,” “hereby,” “hereto,” “herein,” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(c) any references herein to “Dollars” and “\$” and “US\$” are to United States Dollars and any references herein to RMB are to PRC Renminbi;

(d) any references herein to a specific Section, Schedule or Exhibit or to the Recitals or Preamble shall refer, respectively, to Sections, Schedules, Exhibits, Recitals or Preamble of this Agreement, unless otherwise specified;

(e) wherever the word “include,” “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation;”

(f) references herein to any gender shall include each other gender as the context requires;

(g) the word “or” shall not be exclusive;

(h) references to “written” or “in writing” include in electronic form;

(i) the Parties have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption of burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any provision in this Agreement;

(j) reference to any Person includes such Person’s successors and permitted assigns;

(k) any reference to “days” shall mean calendar days unless Business Days are expressly specified;

(l) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day;

(m) any reference to any Law shall be deemed (i) to refer to the applicable Law in effect as of the date hereof without giving effect to the Contemplated Transactions (unless the applicable Law addressed matters as of an earlier date, in which case, applicable Law shall be deemed to mean the applicable Law in effect as of the date thereof) and (ii) also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise; and

(n) any reference in this Agreement to any agreement or instrument (other than the Disclosure Schedule) is a reference to that agreement or instrument as amended or novated or supplemented.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Sale and Issuance of Subscription Shares.

(a) Subject to the terms and conditions of this Agreement, the Purchaser agrees to subscribe for and purchase at the Closing (as defined below) and the Company agrees to issue and sell to the Purchaser at the Closing that number of Series C Preference Shares set forth opposite the Purchaser's name in Schedule A, at a purchase price of US\$4.65215110233 per share.

(b) At any time after the date of this Agreement but subject to subsections (i) to (iv) below, the Company may sell, without obtaining the signature, consent or permission of the Purchaser, up to an aggregate of 123,598,720 Series C Preferred Shares in one or more additional closings in each case at the same per share purchase price as set forth in Section 2.1(a); *provided* that (i) the purchaser is not a Competitor or a Tencent Restricted Person or a JD Restricted Person (as such terms are defined in the restricted persons side letter entered into among Morespark Limited, Dongting Lake Investment Limited, Bitauto Hong Kong Limited, the Company and the other parties thereto dated August 1, 2016 and the shareholders agreement among the Company and the shareholders thereto dated August 19, 2016); (ii) the Company promptly notifies the Purchaser of any such additional sale of Series C Preferred Shares and provides a copy of the complete documentation to which the Company, its Subsidiary, the Purchaser or any of their respective directors or officers is a party relating to such sale within two Business Days of execution to the Purchaser, (iii) without limiting the generality of the foregoing, if the Purchaser reasonably believes the material terms and conditions granted to the third party purchaser to be more favorable to the third party purchaser than the terms and conditions set out in this Agreement, the Purchaser shall have the right, by notice in writing to the Company, to elect to apply the more favorable terms and conditions to the transactions contemplated hereunder with the Purchaser and this Agreement shall be deemed to be amended automatically upon the Company receipt of the Purchaser's notice and the Parties agree to do all that is reasonably necessary to amend the Transaction Documents and/or enter into any other agreements with the Purchaser or any relevant Persons in order to reflect such amendment to this Agreement (including any amendments to the Transaction Documents), and (iv) other than the closing with China Life and/or its Affiliates in relation to its US\$100 million investment which must close on or before May 31, 2017, additional closings shall occur prior to or concurrently with the Closing hereunder.

Section 2.2 Signing, Closing, Payment and Delivery.

(a) Signing. On or before the signing of this Agreement, the Company and the Key Holder shall have delivered to the Purchaser (i) the duly executed Contribution Agreement (including the Assets List), (ii) the Business Cooperation Agreement, and (iii) the valuation report in respect of the Contributed Assets. Each of the executed Contribution Agreement (including the Asset List) and the Business Cooperation Agreement shall be in the form agreed to with the Purchaser prior to the date of this Agreement.

(b) Closing.

(i) The closing of the purchase and sale of the Series C Preference Shares between the Purchaser and the Company (the "Closing") shall take place remotely via exchange of documents and signatures as soon as practicable, but in no event later than three (3) Business Days after all closing conditions specified in Section 3.1 and Section 3.2 hereof have been waived (to the extent permissible by the party or parties entitled to the benefit of such conditions) or satisfied (other than those conditions to be satisfied at the Closing, but subject to the satisfaction or waiver thereof at the Closing), or at such other time and place as the Company and the Purchaser mutually agree.

(ii) At the Closing: (A) the Purchaser shall pay and deliver, or cause to be paid and delivered, the applicable purchase price in such amount as set forth opposite the Purchaser's name in Schedule A in U.S. dollars, by wire transfer or by such other method as the Parties may mutually agree, of immediately available funds to such bank account designated by the Company in Schedule C hereto, and (B) against payment of the applicable amount as provided in this Section 2.2(b)(ii) by the Purchaser, the Company shall deliver a duly executed share certificate to the Purchaser for the applicable Subscription Shares and a copy of the register of members of the Company or an extract thereof, certified by the registered agent or any director of the Company, reflecting issuance of the Subscription Shares to the Purchaser pursuant to the terms hereof.

(c) Restrictive Legend. The certificate representing the Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED: (A) IN THE ABSENCE OF (1) AN EFFECTIVE

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS' AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

ARTICLE III

CONDITIONS TO CLOSING

Section 3.1 Conditions to the Purchaser's Obligations to Effect the Closing. The obligation of the Purchaser to purchase and pay for the Subscription Shares as contemplated by this Agreement at the Closing is subject to the satisfaction, on or before the Closing, of the following conditions, any of which may be waived in writing by the Purchaser in its sole discretion:

(a) Representations and Warranties: Performance. The Fundamental Representations shall have been true and correct on the date of this Agreement (and if any Fundamental Representation expressly speaks of another date, then also for such other specified date) and true and correct in all respects on and as of the date of the Closing and all other representations and warranties of the Company contained in Section 4.1 and all other representations and warranties of the Key Holder contained in Section 4.2 shall have been true and correct on the date of this Agreement and true and correct in all material respects (or, if qualified by materiality or Material Adverse Effect, true and correct in all respects) on and as of the date of the Closing (except for representations and warranties that expressly speak as of an earlier date, in which case as of such specified date); and the Company and the Key Holder shall have performed and complied in all material respects with all, and not be in breach or default in any material respects under any, agreements, covenants, conditions and obligations contained in this Agreement and the other Transaction Documents that are required to be performed or complied with on or before the Closing.

(b) No Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority of competent jurisdiction or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions.

(c) Authorizations. The Company and the Key Holder shall have obtained any and all Authorizations necessary for the consummation by the Company of the issuance of the Subscription Shares, and the entry by the Company and the Key Holder into any Transaction Document to which it is a party, such Authorizations to include the consent of AutoTrader Group, Inc. pursuant to that certain Shareholder Agreement, dated November 1, 2012, by Bitauto Holdings Limited, AutoTrader Group, Inc. and the management vehicles party thereto, if necessary, on or prior to the Closing, all of which shall be in full force and effect.

(d) Closing Certificate. The Company shall have delivered to the Purchaser a certificate, dated the date of the Closing and signed by an authorized signatory of the Company, certifying that the conditions in Sections 3.1(a), 3.1(b), 3.1(c), 3.1(h), 3.1(i), 3.1(n) and 3.1(q) have been satisfied. The Key Holder shall have delivered to the Purchaser a certificate, dated the date of the Closing and signed by an authorized signatory of the Key Holder, certifying that the conditions in Sections 3.1(a), 3.1(b) and 3.1(c) have been satisfied.

(e) Restated Articles. The Restated Articles shall have been duly adopted by the Company and shall remain in full force and effect.

(f) Constitutional Documents. The Company shall have provided the Purchaser with true and correct copies of the constitutional documents of each Group Company (other than the Company).

(g) Restated Shareholders Agreement. The Company shall have duly executed and delivered the Restated Shareholders Agreement and the Restated Shareholders Agreement shall, subject to occurrence of the Closing, become effective and remain in full force and effect.

(h) Contribution Agreement. No amendment shall have been made to the Contribution Agreement except as agreed to by the Purchaser and the Contribution Agreement shall remain in full force and effect and the closing under the Contribution Agreement shall simultaneously occur.

(i) Business Cooperation Agreement. The Business Cooperation Agreement shall remain in full force and effect.

(j) Subscription Agreements. The Company shall have delivered to the Purchaser all subscription agreements entered into by the Company with the other Series C Preference Shares subscribers and the closing of the sale of all Series C Preference Shares under all such agreements, if not already completed, shall simultaneously occur (other than the closing with China Life and/or its Affiliates in relation to its US\$100 million investment).

(k) Legal Opinions. The Company shall have delivered to the Purchaser opinions of the Company's outside legal counsel for the Cayman Islands and the PRC, dated the date of the Closing, relating to the Contemplated Transactions, each in the form and substance satisfactory to the Purchaser, and including those items set forth in Schedule E.

(l) Board Resolutions. The Company shall have delivered to the Purchaser duly executed board resolutions of the Company approving (a) the entry by the Company into the Transaction Documents (to the extent the Company is a party thereto), (b) the Contemplated Transactions, (c) immediately upon payment of the applicable purchase price, the issuance of the applicable Subscription Shares to the Purchaser, free and clear of all Encumbrances (except for restrictions on transfer pursuant to applicable Securities Laws, the Shareholders Agreement, the Restated Shareholders Agreement, the Articles and/or the Restated Articles), (d) the updated register of members of the Company to reflect the Purchaser as the legal owner of the applicable Subscription Shares fully paid and non-assessable, and (e) the issue of a certificate in the name of the Purchaser in respect of the applicable Subscription Shares. The Key Holder shall have delivered to the Purchaser duly executed board resolutions of the Key Holder approving (a) the entry by Key Holder into the Transaction Documents (to the extent that the Key Holder is a party thereto), and (b) the Contemplated Transactions.

(m) Completion of Due Diligence. The Purchaser shall have completed its due diligence in respect of the Contributed Assets to the extent that a prudent investor would have carried out such due diligence review in respect of such Contributed Assets, and the results of which are to the reasonable satisfaction of the Purchaser.

(n) Restructuring. The portion of the Restructuring to be completed prior to the Closing pursuant to, and the obligations of each of the Company and the Key Holder to be performed prior to the Closing under, the Contribution Agreement and the Restructuring Documents shall have been duly completed.

(o) Financial Statements. The Company shall have delivered to the Purchaser (i) the unaudited consolidated income statement and balance sheet of the Company as of December 31, 2016, (ii) the audited financial statements as of December 31, 2016 of Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司), Shanghai Yixin Financial Leasing Co., Ltd.(上海易鑫融资租赁有限公司), Shanghai Techuang Advertising Co., Ltd. (上海特创广告有限公司), Xinche Investment (Shanghai) Co., Ltd.(鑫车投资(上海)有限公司) Beijing Yixin Car Rental Limited (北京易鑫汽车租赁有限公司) and Tianjin Hengtong Jiahe Finance Leasing Co., Ltd. (天津恒通嘉合融资租赁有限公司), (collectively, the “Company Financial Statements”) and (iii) the unaudited consolidated income statement and balance sheet of the Transferred Subsidiary as of April 30, 2017, the “Transferred Subsidiary Financial Statements.”

(p) Transferred Subsidiary. The Key Holder shall have delivered to the Purchaser, the register of members of the Transferred Subsidiary certified by the registered agent or any director of the Transferred Subsidiary, reflecting the Company as the legal and beneficial owner of 100% of the issued share capital of the Transferred Subsidiary.

(q) Employment Agreements. The applicable Group Company shall have entered into new Employment Agreements with each Key Person.

Section 3.2 Conditions to the Company’s Obligations to Effect the Closing. The obligation of the Company to issue the Subscription Shares to the Purchaser as contemplated by this Agreement at the Closing is subject to the satisfaction, on or before the Closing, of each of the following conditions, any of which may be waived in writing by the Company in its sole discretion:

(a) Representations and Warranties; Performance. The representations and warranties of the Purchaser contained in Section 4.2 shall have been true and correct on the date of this Agreement and true and correct in all material respects (or, if qualified by materiality or Material Adverse Effect, true and correct in all respects) on and as of the date of the Closing; and the Purchaser shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing.

(b) No Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority of competent jurisdiction or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions.

(c) Authorizations. The Purchaser shall have obtained any and all Authorizations necessary for the consummation by the Purchaser of the purchase of the Subscription Shares on or prior to the Closing, all of which shall be in full force and effect.

(d) Restated Shareholders Agreement. The Purchaser shall have duly executed and delivered the Restated Shareholders Agreement and the Restated Shareholders Agreement shall, subject to occurrence of the Closing, remain in full force and effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of the Company. Subject to Section 8.1, except as set forth in the Disclosure Schedule, the Company hereby represents, warrants and undertakes to the Purchaser that, as of the date hereof and as of the date of the Closing, the following representations and warranties are true and correct:

(a) Due Formation. Each Group Company is duly formed, validly existing and in good standing in the jurisdiction of its organization. Each Group Company has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Each Group Company has full power and authority to enter into, execute and deliver each Transaction Document to which it is or shall be made a party and each other agreement, certificate, document and instrument to be executed and delivered by such Group Company pursuant to this Agreement or any Transaction Document and to perform its obligations hereunder and thereunder. The execution and delivery by each Group Company of each Transaction Document to which it is or shall be made a party and the performance by such Group Company of its obligations hereunder and thereunder have been duly authorized, or will be duly authorized prior to the Closing, by all requisite actions on its part.

(c) Valid Agreement. This Agreement has been, and each Transaction Document to which any Group Company is a party has been or will be, duly executed and delivered by such Group Company and constitutes (or, when executed and delivered in accordance herewith will constitute), the legal, valid and binding obligations of such Group Company, enforceable against it in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(d) Articles. As of the date of the Closing, the Restated Articles shall have been adopted and shall remain in full force and effect and shall not have been superseded or amended.

(e) Capitalization.

(i) Except as set forth in Schedule 4.1(e) to the Disclosure Schedule, there are no authorized or outstanding Equity Securities in the Company. All issued and outstanding Equity Securities are validly issued, fully paid and non-assessable. The capitalization table attached hereto as Schedule 4.1(e) to the Disclosure Schedule truly and accurately describes the shareholding of the Company (1) immediately prior to the Closing and (2) immediately after the Closing assuming the issuance of all Series C Preference Shares contemplated in Section 2.1 hereof.

(ii) All outstanding Equity Securities of the Company and all outstanding Equity Securities of each of the other Group Companies have been issued and granted in compliance with (x) all applicable Securities Laws and other applicable Laws and (y) all requirements set forth in applicable contracts, without violation of the preemptive rights, rights of first refusal or other similar rights.

(iii) The rights of the Subscription Shares are as stated in the Restated Articles.

(f) Options, Warrants and Reserved Shares. There are no outstanding options, warrants, rights (including conversion or preemption rights) or agreements for the subscription or purchase from any of the Group Companies of any Equity Securities of any of the Group Companies or any securities convertible into or ultimately exchangeable or exercisable for any Equity Securities of any of the Group Companies. No shares or equity interest in the capital stock of any Group Company, or shares issuable upon exercise of any outstanding options, warrants or rights, or other shares issuable by any Group Company, are subject to any preemptive rights, rights of first refusal or other rights to subscribe or purchase such shares (whether in favor of a Group Company or any other person), pursuant to any agreement or commitment of any Group Company. There are no outstanding options, warrants, rights or agreements for the creation of any Encumbrance on the Series C Preference Shares.

(g) Due Issuance of the Subscription Shares. The Subscription Shares have been duly authorized, or will be duly authorized prior to the Closing, and, when issued and delivered to and paid for by the Purchaser pursuant to this Agreement, will be validly issued, fully paid and non-assessable and free and clear of any Encumbrance, except for restrictions arising under the applicable Securities Laws or created by virtue of this Agreement or other Transaction Documents and upon delivery and entry into the register of members of the Company, the Subscription Shares will transfer to the Purchaser with good and valid title, free and clear of any Encumbrance, except for restrictions arising under the applicable Securities Laws or created by virtue of this Agreement or other Transaction Documents.

(h) Title. Immediately following the Closing, the Purchaser shall acquire good and valid title to the applicable Subscription Shares that are being purchased hereunder, free and clear of any and all Encumbrances (except for restrictions arising under the applicable Securities Laws or created by virtue of this Agreement or other Transaction Documents). There are no outstanding options, warrants, rights (preemptive or otherwise), calls, contracts or other binding commitments to which the Company or any of its Affiliates is a party or by which the Company is bound to issue or adjust Equity Securities as a result of the issuance of the Subscription Shares. Except for the Contemplated Transactions, the Company has not assigned, transferred, sold, distributed, pledged or otherwise disposed of or agreed to dispose of all or any portion, or any interest in, any other Equity Securities of the Company. Except for the Transaction Documents, no voting or similar agreements exist in relation to the Equity Securities of any Group Company that are presently outstanding or that may hereafter be issued.

(i) Non-contravention; Litigation. None of the execution and the delivery of this Agreement and the other Transaction Documents to which any Group Company is a party or shall be made a party, nor the consummation of the Contemplated Transactions, will

(i) violate any provision of the organizational documents of any Group Company or violate any Law or Order of any Governmental Authority to which any Group Company is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which any Group Company is a party or by which any Group Company is bound or to which any of the Group Companies' assets are subject, except for such violations, conflicts, breaches, or defaults which would not have a Material Adverse Effect. There is no action, suit or proceeding, pending or, to the best knowledge of the Company, threatened in writing against any Group Company that questions the validity of this Agreement or the right of any Group Company to enter into this Agreement or to consummate the Contemplated Transactions, except for such actions, suits or proceedings which would not have a Material Adverse Effect.

(j) Consents and Approvals. None of the execution and delivery by any Group Company of this Agreement or any other Transaction Document, nor the consummation of any of the Contemplated Transactions, nor the performance by any Group Company of this Agreement or any other Transaction Documents in accordance with their respective terms requires any Authorization which is required to be obtained by such Group Company, except such as have been or will have been obtained, made or given on or prior to the Closing.

(k) Brokers. The Company has not dealt with any broker, finder, commission agent, placement agent or arranger in connection with the issuance of the Subscription Shares, and none of the Group Companies is under any obligation to pay any broker's fee or commission in connection with the issuance of the Subscription Shares or the Contemplated Transactions.

(l) Control Documents. As of the date of the Closing, each Control Document is, and all of the Control Documents taken as a whole are, legal, valid, enforceable and admissible as evidence under PRC Laws, and constitute the legal and binding obligations of the relevant parties.

(m) Intellectual Property. The Company owns or possesses or can acquire on commercially reasonable terms sufficient legal rights to all Company Intellectual Property without any known conflict with, or infringement of, the rights of others. To the Company's knowledge, no product or service marketed or sold (or proposed to be marketed or sold) by any Group Company violates or will violate any license or infringes or will infringe any intellectual property rights of any other party. Other than with respect to commercially available software products under standard end-user object code license agreements, there are no outstanding options, licenses, agreements, claims, Encumbrances or shared ownership interests of any kind relating to the Company Intellectual Property, nor is the Group Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other Person. The Company has not received any communications alleging that any Group Company has violated, or by conducting its business, would violate any of the patents, trademarks, service marks, tradenames, copyrights, trade secrets, mask works or other proprietary rights or processes of any other Person. Each of the Group Companies has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with the Company's Business. To the Company's knowledge, it will not be necessary to use any inventions of any of its employees or consultants (or Persons it currently intends to hire) made prior to their employment by the Company or any other Group Company. Each employee and consultant has assigned to the Group Company all intellectual property rights he or she owns that are related to such Group Company's business as now conducted and as presently proposed to be conducted.

(n) Material Contracts; Liabilities. Except as may be set forth in the Disclosure Schedule, the Transaction Documents or the agreements in connection with issuance of the Series A Preference Shares and Series B Preference Shares (any such agreement so disclosed, a "Material Contract"), there are no agreements, understandings or contracts to which any Group Company is a party or by which it is bound, that include (i) obligations (contingent or otherwise) of, or payments to, such Group Company in excess of US\$10,000,000, (ii) the license of any patent, copyright, trademark, trade secret or other intellectual property or proprietary right to or from such Group Company other than (x) the license to such Group Company of generally commercially available third party products, including open source software, for a total cost of less than US\$1,000,000, (y) license agreements with customers entered into in the ordinary course of business and (z) limited-term marketing and promotion agreements with third parties entered into in the ordinary course of business, (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other person or affect such Group Company's exclusive right to develop, manufacture, assemble, distribute, market or sell its products or services other than the grant in the ordinary course of business, (iv) indemnification by such Group Company with respect to infringements of intellectual property or proprietary rights except for agreements with third parties entered into in the ordinary course of business, or (v) provisions restricting or otherwise limiting such Group Company from competing in any form in any line of business or industry in the PRC. There are no Liabilities of the Group Companies other than Liabilities (i) disclosed in, related to or arising under any agreements, instruments or other matters disclosed in the Transaction Documents (including the Disclosure Schedule), (ii) incurred in the ordinary course of business, or (iii) other undisclosed Liabilities that are not material to the Group Companies taken as a whole.

(o) Title to Property and Assets. Each Group Company owns its property and assets free and clear of all Encumbrances, other than (i) statutory liens for the payment of current taxes that are not yet delinquent or are being contested in good faith, (ii) Encumbrances and liens that arise in the ordinary course of business and (iii) as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(p) Financial Statements. The Company has delivered to the Purchaser the Company Financial Statements. The Company Financial Statements have been prepared in accordance with the applicable Accounting Principles indicated therein applied on a consistent basis throughout the periods indicated. The Company Financial Statements fairly present in all material respects the financial condition and operating results of the aforementioned Subsidiaries of the Company as of the dates, and for the periods, indicated therein. Except as set forth in the Company Financial Statements, none of the aforementioned Subsidiaries have material Liabilities or obligations, contingent or otherwise, other than (i) Liabilities incurred in the ordinary course of business subsequent to December 31, 2016; (ii) obligations under contracts and commitments incurred in the ordinary course of business; and (iii) Liabilities and obligations of a type or nature not required under the Accounting Principles to be reflected in the Company Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with the Accounting Principles.

(q) Changes. Since December 31, 2016 there has not been:

(i) any change in the assets, Liabilities, financial condition or operating results of the Company's Subsidiaries set forth in Section 3.1(o) from that reflected in the Company Financial Statements, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect;

(ii) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect;

(iii) any waiver or compromise by a Group Company of a valuable right or of a material debt owed to it;

(iv) any satisfaction or discharge of any lien, claim, or Encumbrance or payment of any obligation by a Group Company, except in the ordinary course of business and the satisfaction or discharge of which would not have a Material Adverse Effect;

(v) any material change to a material contract or agreement by which a Group Company or any of its assets is bound or subject;

(vi) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder;

(vii) any resignation or termination of employment of any senior officer of a Group Company;

(viii) any mortgage, pledge, transfer of a security interest in, or lien, created by a Group Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the relevant Group Company's ownership or use of such property or assets;

(ix) any loans or guarantees made by a Group Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(x) any declaration, setting aside or payment or other distribution in respect of any of a Group Company's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such share capital by such Group Company;

(xi) any sale, assignment or transfer of any Group Company's Intellectual Property that could reasonably be expected to result in a Material Adverse Effect;

(xii) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of a Group Company;

(xiii) any arrangement or commitment by a Group Company to do any of the things described in this Section 4.1(q).

(r) Tax Filings; Interested Party Transaction.

(i) Each of the Group Companies has timely filed or caused to be filed all tax returns required to be filed by it, all such tax returns are true, correct and complete in all material respects, and each of the Group Companies has paid, or provided adequate reserves, for all deficiencies or other assessments of tax owed by it. No unassessed tax deficiency has been proposed or threatened against any Group Company.

(ii) Except set forth in the Transaction Documents, the Control Documents or the agreements in connection with issuance of Series A Preference Shares,

the Series B Preference Shares and the Series C Preference Shares, none of the direct shareholders of the Company, or the direct or indirect shareholders of a Group Company other than the Company, or officers or directors of a Group Company, or officers or directors of any of the Company's direct shareholders or any other Group Company's direct or indirect shareholders, or any Affiliate of any foregoing Person, has any contract, understanding, proposed transaction with, or is indebted to, any Group Company, nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any of such Persons (other than for accrued salaries, reimbursable expenses or other standard employee benefits).

(s) Labor Agreement and Actions. None of the Group Companies is bound by or subject to any contract or arrangement with any labor union, and no labor union has requested or, to the Company's knowledge, has sought to represent any of the employees, representatives or agents of any Group Company. Each of the Group Companies has paid, or made provision for the payment of, all social insurance contributions required under applicable Laws and contracts for the labor and employment of its employees, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(t) Employee Matters. No employee of any Group Company has been granted the right to any material compensation following termination of employment with such Group Company. To the Company's knowledge, no employee of any Group Company, nor any consultant with whom such Group Company has contracted, is in material violation of any term of any employment contract or other agreement relating to the right of any such individual to be employed by, or to contract with, such Group Company. None of the Group Companies has received any notice alleging that any such violation has occurred. Each employee, consultant and officer of the Group Companies has executed an agreement with the relevant Group Company regarding confidentiality and proprietary information, and such agreements are in compliance with all applicable Laws in all material respects. The Company is not aware that any of its employees or consultants is in material violation thereof.

(u) FCPA Compliance. None of the Group Companies and, to the best knowledge of the Company, any of the Group Companies' respective directors, administrators, officers, board of directors (supervisory and management) members or employees have made, directly or indirectly, any payment or promise to pay, or gift or promise to give or authorized such a promise or gift, of any money or anything of value, directly or indirectly, to (i) any foreign official (as such term is defined in The Foreign Corrupt Practices Act of 1977, as amended) for the purpose of influencing any official act or decision of such official or inducing him or her to use his or her influence to affect any act or decision of a governmental authority, or (ii) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any official act or decision of such party, official or candidate or inducing such party, official or candidate to use his, her or its influence to affect any act or decision of a foreign governmental authority, in the case of both (i) and (ii) above in order to assist any Group Company to obtain or retain business for, or direct business to any Group Company, subject to applicable exceptions and affirmative defenses. None of the Group Companies, and to the best knowledge of the Company, any of the Group Companies' respective directors, administrators, officers, board of directors (supervisory and management) members and employees has made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any law, rule or regulation subject to applicable exceptions and affirmative defenses.

(v) Compliance with Laws. The Group Companies have not been in violation of any Law or Order applicable to them since their establishment, other than as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(w) Restructuring. As of the date of the Closing, each relevant Group Company would have cooperated with the relevant Contributing Parties to complete the portion of the Restructuring relating to any Group Company and of which the Contributing Parties are obligated to complete prior to the Closing pursuant to the Contribution Agreement in accordance with the Contribution Agreement and the relevant Restructuring Documents. As of the date of the Closing, each relevant Group Company will have completed the portion of the Restructuring that such Group Company is obligated to complete prior to the Closing pursuant to the Contribution Agreement.

Section 4.2 Representations and Warranties of the Key Holder. Subject to Section 8.1, except as set forth in the Disclosure Schedule, the Key Holder hereby represents, warrants and undertakes to the Purchaser that, as of the date hereof and as of the date of the Closing, in each case, the following representations and warranties are true and correct:

(a) Due Formation. Each of the Key Holder, the Contributing Parties and the Transferred Entities is duly formed, validly existing and in good standing in the jurisdiction of its organization and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Each of the Key Holder and the Contributing Entities has full power and authority to enter into, execute and deliver the Transaction Documents (to the extent it is a party thereto) and each other agreement, certificate, document and instrument to be executed and delivered by the Key Holder pursuant to the Transaction Documents and to perform its obligations hereunder and thereunder. The execution and delivery by the Key Holder of the Transaction Documents and the performance by the Key Holder of its obligations hereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. Each of the Transaction Documents has been duly executed and delivered by the Key Holder and the Contributing Parties (to the extent it is a party thereto) and constitutes the legal, valid and binding obligations of the Key Holder and its Transferred Entities, enforceable against it in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(d) Non-contravention. None of the execution and the delivery of any Transaction Documents nor the consummation of the Contemplated Transactions will (i) violate any provision of the organizational documents of the Key Holder or the Contributing Parties or violate any Law or Order of any Governmental Authority to which the Key Holder or the Contributing Parties is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Key Holder is a party or by which the Key Holder is bound or to which any of the Key Holders' assets are subject, except for such violations, conflicts, breaches, or defaults which would not have a Material Adverse Effect.

(e) Consents and Approvals. None of the execution and delivery by the Key Holder or the Contributing Parties of each Transaction Document (to the extent it is a party thereto), nor the consummation of any of the Contemplated Transactions, nor the performance by the Key Holder of this Agreement requires any Authorization which is required to be obtained by the Key Holder, except (i) such as have been or will have been obtained, made or given on or prior to the Closing, or (ii) as set forth in the Transaction Documents.

(f) Used Automobile Business.

(i) Ordinary Course. The Used Automobile Business has been carried on in the ordinary course and so as to maintain the same as a going concern. There is no existing fact or circumstance that may have a Used Automobile Business Material Adverse Effect for it to be conducted as currently conducted.

(ii) The Transferred Entities. The shares of the Transferred Subsidiary have been fully paid up and are free and clear of any Encumbrance. The Transferred Entities have all of the licenses and permits necessary to permit the Transferred Entities to lawfully conduct and operate the Used Automobile Business and to permit the Transferred Entities to own and use their assets in the manner they currently owns and uses their assets. There is no existing fact or circumstance that may have a Used Automobile Business Material Adverse Effect with respect to the Transferred Entities for them to conduct operation as currently conducted.

(iii) Options, Warrants and Reserved Shares. There are no outstanding options, warrants, rights (including conversion or preemption rights) or agreements for the subscription or purchase from any of the Transferred Entities of any Equity Securities of any of the Transferred Entities or any securities convertible into or ultimately exchangeable or exercisable for any Equity Securities of any of the Transferred Entities. No shares or equity interest in the capital stock of any Transferred Entity, or shares issuable upon exercise of any outstanding options, warrants or rights, or other shares issuable by any Transferred Entity, are subject to any preemptive rights, rights of first refusal or other rights to subscribe or purchase such shares (whether in favor of a Transferred Entity or any other person), pursuant to any agreement or commitment of any Transferred Entity. There are no outstanding options, warrants, rights or agreements for the creation of any Encumbrance on the Equity Securities of any of the Transferred Entities.

(i v) Transferred Subsidiary Financial Statements; Change. The Transferred Subsidiary Financial Statements have been prepared in accordance with the applicable Accounting Principles indicated therein applied on a consistent basis throughout the periods indicated. The Transferred Subsidiary Financial Statements fairly present in all material respects the financial condition and operating results of the Transferred Entities as of the dates, and for the periods, indicated therein. Except as set forth in the Transferred Subsidiary Financial Statements, none of the Transferred Entities has material Liabilities or obligations, contingent or otherwise, other than (i) Liabilities incurred in the ordinary course of business subsequent to April 30, 2017; (ii) obligations under contracts and commitments incurred in the ordinary course of business; and (iii) Liabilities and obligations of a type or nature not required under the Accounting Principles to be reflected in the Transferred Subsidiary Financial Statements, which, in all such cases, individually and in the aggregate would not have a Used Automobile Business Material Adverse Effect. Since April 30, 2017 there has not been:

- (1) any change in the assets, Liabilities, financial condition or operating results of the Transferred Entities from that reflected in the Transferred Subsidiary Financial Statements, except changes in the ordinary course of business that have not caused, in the aggregate, a Used Automobile Business Material Adverse Effect;
- (2) any damage, destruction or loss, whether or not covered by insurance, that would have a Used Automobile Business Material Adverse Effect;
- (3) any waiver or compromise by the Transferred Entities of a valuable right or of a material debt owed to it;
- (4) any satisfaction or discharge of any lien, claim, or Encumbrance or payment of any obligation by the Transferred Subsidiary, except in the ordinary course of business and the satisfaction or discharge of which would not have a Used Automobile Business Material Adverse Effect;
- (5) any material change to a material contract or agreement by which the Transferred Subsidiary or any of its assets is bound or subject;
- (6) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder;
- (7) any resignation or termination of employment of any senior officer of the Transferred Subsidiary;
- (8) any mortgage, pledge, transfer of a security interest in, or lien, created by the Transferred Subsidiary, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the Transferred Subsidiary's ownership or use of such property or assets;
- (9) any loans or guarantees made by the Transferred Subsidiary to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(10) any declaration, setting aside or payment or other distribution in respect of any of the Transferred Subsidiary's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such share capital by the Transferred Subsidiary;

(11) any sale, assignment or transfer of any intellectual property rights of the Transferred Subsidiary that could reasonably be expected to result in a Used Automobile Business Material Adverse Effect;

(12) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Transferred Subsidiary;

(13) any arrangement or commitment by the Transferred Subsidiary to do any of the things described in this Section 4.2(f)(iv).

(v) Transferred Contracts. Each Transferred Contract has been duly executed and is valid and binding on the parties thereto with full force and effect. Except as would not reasonably be expected to have a Used Automobile Business Material Adverse Effect, no Transferred Contract will be terminated or adversely affected as a result of or relating to the Contemplated Transaction. None of the Contributing Party is in material breach of or has knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any Transferred Contract to which such Contributing Party is a party, nor has any such party received notice of any intention to terminate any such agreement or repudiate or disclaim any other transaction.

(vi) Real Property. Each Transferred Lease is in full force and effect, unimpaired by any acts or omissions of the relevant Contributing Party, and constitutes the legal, valid and binding obligation of such Contributing Party, enforceable against such Contributing Party in accordance with its terms and, to the knowledge of the Key Holder, against any other party thereto. Except as would not reasonably be expected to have a Used Automobile Business Material Adverse Effect, all rent and other sums and charges payable by the relevant Contributing Party as tenant thereunder are current, no notice of default or termination under any Transferred Lease is outstanding, no termination event or condition or uncured default on the part of the relevant Contributing Party or, to the knowledge of the Key Holder, the landlord, exists under any Transferred Lease, and no event has occurred and no condition exists which, with the giving of notice, the lapse of time, or both, would constitute such a default or termination event or condition. The relevant Contributing Party owns such leasehold interests free and clear of all Encumbrances, subject to the terms and conditions of the Transferred Leases and applicable Laws.

(vii) Fixed Assets. The Transferred Fixed Assets are in good condition and good working order (subject to normal wear and tear) and are suitable for the uses for which they are intended. No Contributing Party has received notice or has any knowledge of any pending or threatened proceeding affecting any of the Transferred Fixed Assets (or any portion thereof) or of any sale or other disposition of any of the Transferred Fixed Assets (or any portion thereof) in any material aspects.

(viii) Transferred Employees

(1) No Contributing Party is a party to any collective bargaining agreement. There are no existing or, to the knowledge of the Key Holder, threatened, labor strikes, disputes, grievances, arbitrations, union organizing efforts, picketing, handbilling, organized work stoppages, organized work slowdowns or other labor trouble or disputes involving any Transferred Employees that would reasonably be expected to have a Used Automobile Business Material Adverse Effect.

(2) Except as expressly contemplated under the Restructuring Documents or existing employment contracts with the Transferred Employees, no Contributing Party has any obligation or liability whatsoever in respect of the employment of any Transferred Employee for any period prior to the Closing, including under any employee incentive plan, as a result of its execution of this Agreement or as a result of the completion of any of the Contemplated Transactions.

(ix) Intellectual Property Rights.

(1) All Transferred IPs are owned by and registered or applied for solely in the name of the relevant Contributing Parties, is valid and subsisting and have not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. No Contributing Party or, to the knowledge of the Contributing Parties, any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Transferred IP to be invalid, unenforceable or not subsisting. Except as would not reasonably be expected to have a Used Automobile Business Material Adverse Effect, (a) no Transferred IP is the subject of any Encumbrance, license or other contracts granting rights therein to any other Person, (b) except for the registered trademark applications listed in the Asset List (the "Registered Trademark Applications"), no Transferred IP is subject to any proceeding or outstanding orders from any Governmental Authorities or settlement agreement or stipulation that restricts in any manner the use, transfer or licensing thereof, by any Contributing Party or affect the validity, use or enforceability of such Transferred IP and (c) no Contributing Party has transferred or assigned any Transferred IP; authorized the joint ownership of, any Transferred IP; or permitted the rights of any Contributing Party in any Transferred IP to lapse or enter the public domain.

(2) Other than as set out in the Asset List, the Key Holder Parties do not own any other registered trademarks or have pending applications for trademarks in relation to the Used Automobile Business.

(x) Legal Actions and Orders. There are no legal actions in progress, pending or, to the knowledge of the Key Holder, threatened, against the Used Automobile Business or the Contributed Assets that would reasonably be expected to have a Used Automobile Business Material Adverse Effect. None of the Used Automobile Business and the Contributed Assets are subject to any Orders that would reasonably be expected to have a Used Automobile Business Material Adverse Effect.

(xi) Compliance with Legal Requirements. Each Contributing Party has, in connection with the execution and delivery of any Restructuring Document to which it is a party and the consummation of the Contemplated Transactions, complied with, and the Used Automobile Business and the Contributed Assets are and have been in material compliance with, all legal requirements, other than as would not reasonably be expected to have, individually or in the aggregate, a Used Automobile Business Material Adverse Effect.

(xii) Contributed Assets. The Asset List includes all of the assets, intellectual property rights, employees and Contracts that are currently used for the operation of the Used Automobile Business as currently operated, other than assets that are immaterial or unnecessary to the Used Automobile Business as a whole.

(xiii) Structure Chart. The structure chart of the Transferred Entities set forth in Appendix III of the Disclosure Schedule reflects the structure of the Transferred Entities on the Closing Date and is true, complete and correct as of the Closing Date.

(xiv) Tax Filings. The relevant Contributing Party contributing Used Automobile Business to the Group has, and each Transferred Entity has, timely filed or caused to be filed all tax returns required to be filed by it, all such tax returns are true, correct and complete in all material respects. The relevant Contributing Party contributing Used Automobile Business to the Group has, and each Transferred Entity has, paid, or provided adequate reserves, for all deficiencies or other assessments of tax owed by it in respect of the Used Automobile Business. No unassessed tax deficiency has been proposed or threatened against the relevant Contributing Party contributing Used Automobile Business to the Group or against any Transferred Entity.

(g) Contribution Agreement and Restructuring.

(i) The Contribution Agreement and any Restructuring Documents to which any Key Holder Party is a party, upon execution, constitutes the legal, valid and binding obligation of each party thereto, enforceable against such party in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (iii) any Authorizations to be obtained under the Contribution Agreement and the Restructuring Documents.

(ii) As of the date of the Closing, the portion of the Restructuring to be completed prior to the Closing pursuant to the Contribution Agreement will have been duly completed by the relevant parties in accordance with the Contribution Agreement and the relevant Restructuring Documents. As of the Restructuring Completion Date, the Restructuring will have been duly completed by the relevant parties pursuant to the Contribution Agreement and the Restructuring Documents (other than those that are specifically provided to be ongoing obligations and do not have a specific completion date under the Contribution Agreement and the Restructuring Documents).

(h) Interested Party Transaction. Except as set forth in the Transaction Documents, the Control Documents or the agreements in connection with the issuance of the Series A Preference shares, the Series B Preference Shares and the Series C Preference Shares, none of the officers or directors of the Key Holder, or any Affiliate thereof, has any contract, understanding proposed transaction with, or is indebted to, the Transferred Entities, nor are any Transferred Entities indebted (or committed to make loans or extend or guarantee credit) of any such Persons (other than for accrued salaries, reimbursable expenses or other standard employee benefits).

(i) Compliance with Laws. The Key Holder has not been in violation of any Law or Order applicable to the Key Holder since its establishment, other than as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.3 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Company and the Key Holder as of the date hereof and as of the date of the Closing, as follows:

(a) Due Formation. The Purchaser is duly formed, validly existing and in good standing in the jurisdiction of its organization and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. The Purchaser has full power and authority to enter into, execute and deliver this Agreement, each other Transaction Document to which it is or shall be made a party and each other agreement, certificate, document and instrument to be executed and delivered by the Purchaser pursuant to this Agreement or any other Transaction Document and to perform its obligations hereunder and thereunder. The execution and delivery by the Purchaser of this Agreement and each other Transaction Document to which it is or shall be made a party and the performance by the Purchaser of its obligations hereunder and thereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. This Agreement has been, and each other Transaction Document to which the Purchaser is a party has been or will be, duly executed and delivered by the Purchaser and constitutes (or, when executed and delivered in accordance herewith will constitute), the legal, valid and binding obligations of the Purchaser, enforceable against it in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(d) Non-contravention; Litigation. None of the execution and the delivery of this Agreement and the other Transaction Documents to which the Purchaser is a party or shall be made a party, nor the consummation of the Contemplated Transactions, will (i) violate any provision of the organizational documents of the Purchaser or violate any Law or Order of any Governmental Authority to which the Purchaser is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Purchaser is a party or by which the Purchaser is bound or to which any of the Purchaser's assets are subject. There is no action, suit or proceeding, pending or threatened against the Purchaser that questions the validity of this Agreement or the right of the Purchaser to enter into this Agreement or to consummate the Contemplated Transactions.

(e) Consents and Approvals. None of the execution and delivery by the Purchaser of this Agreement or any Transaction Document, nor the consummation by the Purchaser of any of the Contemplated Transactions, nor the performance by the Purchaser of this Agreements or any other Transaction Document in accordance with its terms requires any Authorization, except such as have been or will have been obtained, made or given on or prior to the Closing.

(f) Status and Investment Intent.

(i) Experience. The Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Subscription Shares. The Purchaser is capable of bearing the economic risks of such investment, including a complete loss of its investment.

(ii) Solicitation. The Purchaser was not identified or contacted through the marketing of the Subscription Shares. The Purchaser did not contact the Company as a result of any general solicitation or directed selling efforts. The issuance of the Subscription Shares to the Purchaser was not solicited by or through anyone other than the Company.

(i i i) Restricted Securities. The Purchaser acknowledges that the Subscription Shares are "restricted securities" that have not been registered under the Securities Act or any applicable state securities law. The Purchaser further acknowledges that, absent an effective registration under the Securities Act, the Subscription Shares may only be offered, sold or otherwise transferred (x) to the Company, (y) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act or (z) pursuant to an exemption from registration under the Securities Act.

(iv) Not U.S. Person. The Purchaser is not a "U.S. person" as defined in Rule 902 of Regulation S promulgated under the Securities Act.

(v) Offshore Transaction. The Purchaser has been advised and acknowledges that in issuing the Subscription Shares to the Purchaser pursuant hereto, the Company is relying upon the exemption from registration provided by Regulation S promulgated under the Securities Act. The Purchaser is acquiring the Subscription Shares in offshore transactions as such term is defined in Rule 902 of Regulation S promulgated under the Securities Act.

(v i) FINRA. The Purchaser does not, directly or indirectly, own more than five percent of the outstanding common stock (or other voting securities) of any member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) or a holding company for a FINRA member, and is not otherwise a “restricted person” for the purposes of the Free-Riding and Withholding Interpretation of FINRA.

ARTICLE V

COVENANTS

Section 5.1 Further Assurances. From the date of this Agreement until the Closing, the Parties shall use their commercially reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the Contemplated Transactions.

Section 5.2 Use of Proceeds. The Company shall use the purchase price for the general corporate purposes of the Group Companies.

Section 5.3 Cooperation. The Parties shall use their commercially reasonable efforts to cooperate to facilitate the further development of the Business following the Closing.

Section 5.4 SAFE Registration. The Company shall cause Mr. Bin Li and any other person who is PRC resident (as defined in the SAFE Rules and Regulations) and holds Equity Securities in the Company (upon the vesting of the ESOP pursuant to the terms thereof or otherwise) directly or indirectly through the Key Holder or any person other than the Purchaser to, at the expense of the Company, fully comply with all applicable Laws of the PRC with respect to his direct or indirect holding of Equity Securities in the Group Companies on a continuing basis (including, but not limited to, all reporting and filing obligations imposed by and all approvals and permits required by the SAFE Rules and Regulations and the SAFE in connection therewith). In particular, if required by the SAFE Rules and Regulations or the SAFE, the Company shall cause Mr. Bin Li and any other person who is PRC resident (as defined in the SAFE Rules and Regulations) and holds Equity Securities in the Company (upon the vesting of the ESOP pursuant to the terms thereof or otherwise) directly or indirectly through the Key Holder or any person other than the Purchaser to update their registration forms with SAFE with respect to the Contemplated Transactions within the applicable required time period.

Section 5.5 Permits. If applicable PRC laws require any Group Company to obtain any other permits for any business proposed to be conducted by such Group Company, the Company shall ensure that such Group Company promptly obtain such permits prior to such Group Company conducting such business.

Section 5.6 Access. From the date of this Agreement until the Closing, the Company shall, and shall cause its Affiliates to (a) give the Purchaser, its counsel, financial advisors, auditors and other representatives reasonable access to the offices, properties, books and records of the Group Companies and the Business; (b) furnish to the Purchaser, its counsel, financial advisors, auditors and other representatives such information relating to the Group Companies and the Business as may be reasonably requested; and (c) instruct the employees, counsel, accountants and other advisors of the Company and its Affiliates to cooperate with the Purchaser in its investigation of the Group Companies and the Business.

Section 5.7 Conduct of Business of the Company. From the date of this Agreement until the Closing, the Company shall, and the Company shall cause each of the Group Company to, (i) conduct its business and operations in the ordinary course of business consistent with past practice, and (ii) not take any action, or omit to take any action, that would reasonably be expected to make any of its representations and warranties in this Agreement untrue at, or as of any time before, the Closing in any material respects unless the Purchaser shall otherwise consent in writing.

Section 5.8 Compliance with Legal Requirements. The Company shall, and the Company shall cause each of the Group Company to comply in all material respects with all legal requirements applicable to the Business, including but not limited to, applicable PRC Laws relating to telecommunication business, software, Intellectual Property, SAFE Rules and Regulations, borrowing, foreign exchange control, anti-money laundering, anti-corruption, corporate formation and governance and conduct of business in general, possession of necessary and effective licenses and permits, ownership of assets and properties, taxation, employment, and social welfare and benefits.

Section 5.9 Adoption of the ESOP. As of the Closing, the Company shall have reserved 12,357,140 Ordinary Shares of the Company for the ESOP, provided that if the closing with China Life and/or its Affiliates in relation to its US\$100 million investment have not occurred on or before May 31, 2017, such number shall be reduced to the number representing 1.5% of the then issued and outstanding Equity Securities of the Company (on a fully diluted basis). After the Closing, the Company shall adopt the ESOP for the reserved Ordinary Shares, such adoption and terms of the ESOP to be subject to the approval of the Purchaser.

Section 5.10 Tax Filings. After the Closing, if requested by the Purchaser, the Company shall make its commercially reasonable efforts to cooperate with the Purchaser to provide such information, documents or materials in relation to the Subscription Shares as required for the tax filings or other communications with the relevant PRC tax authorities.

Section 5.11 Permits for Automobile Operating Leasing Business and the Used Automobile Business. Insofar as any Group Company is required by applicable Law or any competent Governmental Authority to obtain any permits or make any filings in relation to the automobile operating lease business or the Used Automobile Business, the Company shall promptly take all reasonable actions necessary to ensure compliance with such requirement by the applicable Group Companies.

Section 5.12 Change of Contributed Assets and Asset List. Unless otherwise consented by the Purchaser, the Parties agree that the Contributed Assets or the Asset List may not be changed after the date hereof, except for (i) a change of assets in exchange for other assets comparable or superior as to type, value and quality, (ii) any decrease of the market value or fair value of the Contributed Assets, (iii) as a result of voluntary resignation of any Transferred Employee or refusal by any Transferred Employee to execute employment agreement with the Company and/or its Subsidiaries, which shall not include the Key Employees to be transferred as listed in the Contribution Agreement or (iv) the change of a single item with an amount of less than RMB100,000 and the cumulative changes of multiple items with an amount of less than RMB300,000, provided that any such changes in subsections (i) to (iv) above shall not result in a Used Automobile Business Material Adverse Effect.

Section 5.13 Trademarks. After the Closing, any registered trademarks held by the Key Holder will not be used by the Key Holder in competition with the Used Automobile Business, and the Key Holder shall not, and shall cause its Subsidiaries (other than the Company and the relevant Group Companies) not to, register any trademarks in relation to the Used Automobile Business.

Section 5.14 Equity Transfer by the Key Holder. As soon as practicable after the Closing and at the earlier of the second anniversary of the Closing Date or in any event the earliest time such equity transfer is permitted by the relevant Governmental Authorities and within a shorter period of (i) three (3) years after the Closing or (ii) two years after a Qualified IPO (as defined in the Shareholders Agreement), subject to the applicable Laws, each of the Company and Bitauto shall complete the transfer of all the equity interests held by Bitauto to the Company in Dalian Rongxin Financing Guarantee Co., Ltd. (大连融鑫融资担保有限公司) and Shenyang Heping District Yifa Petty Loan Co., Ltd. (沈阳市和平区溢发小额贷款有限责任公司) on the terms approved by the board of the Company, and in any case the transfer price so approved shall be no higher than the acquisition costs or set-up costs (as applicable) of Bitauto.

Section 5.15 Change of business scope. As soon as practicable after the Closing, the Key Holder shall, at the costs and expenses of the Key Holder, (i) cause each of Beijing Kankanche Information Technology Limited (北京看看车信息技术有限公司), Beijing You Jie Information Company Limited (北京优捷信息科技有限公司) and Beijing Xinbao Information Technology Co., Ltd (北京信保信息技术有限公司) to amend its business scope, to the extent permitted by the Governmental Authority, to reflect that each of such companies is no longer engaged in the Used Automobile Business, each of such amended business scope to be subject to the approval of the Purchaser, and (ii) cause Beijing Kankanche Information Technology Limited (北京看看车信息技术有限公司) to change its name to remove “看看车” or “看车” from its name.

Section 5.16 Transferred Subsidiary. As soon as practicable, and in any event no later than fifteen (15) Business Days after May 31, 2017, the Key Holder and the Company shall deliver to the Purchaser, the unaudited income statement and balance sheet of the Transferred Subsidiary as of May 31, 2017. Between the Closing and May 31, 2017, there shall not be any changes in such unaudited income statement and balance sheet from that reflected in the Transferred Subsidiary Financial Statements, except changes that would not have a Used Automobile Business Material Adverse Effect.

Section 5.17 Transferred Employees. As soon as practicable after the Closing, the Key Holder and the Company shall cause the relevant Group Company to enter into the Employment Agreement with the Transferred Employees, and the Key Holder shall bear or reimburse the Group Companies for all obligations for severance or similar payments to or any social insurance or similar statutory payments in relation to the Transferred Employees incurred in respect of the transfer of the Transferred Employees, if any, to the relevant Group Companies.

Section 5.18 Restructuring Documents.

(a) The Company and the Key Holder shall, and the Company shall cause the Group Companies and the Key Holder shall cause the Contributing Parties to, enter into the Restructuring Documents, the final forms of which are appended to the Contribution Agreement. Except as expressly provided otherwise hereunder, the Contribution Agreement, the Business Cooperation Agreement and the Restructuring Documents may not be terminated or amended without the prior written consent of the Purchaser, and the Company and the Key Holder may not waive or revise any of its rights, or grant any consents under the Contribution Agreement, the Business Cooperation Agreement or the Restructuring Documents without the prior written consent of the Purchaser. Each of the Company and the Key Holder shall take all actions necessary to enforce obligations owed to it (or its Subsidiaries) under the Contribution Agreement, the Business Cooperation Agreement and the Restructuring Documents.

Section 5.19 Covenants relating to Restructuring. Each of the Company and the Key Holder shall use its commercially reasonable efforts to, subject to Section 5.20, consummate the Restructuring as soon as practicable in accordance with the Restructuring Documents within twelve (12) months following the Closing (the "Restructuring Period", and the date on which the Restructuring is so consummated is the "Restructuring Completion Date"). If due to any consent, approval, order, license or authorization of, registration, certificate, declaration or filing with or notice to any Governmental Authority and due to the reasons not attributable to the Contributing Parties, the Restructuring cannot be consummated within the Restructuring Period, the Restructuring Completion Date shall be postponed and the Restructuring shall be extended accordingly provided that the Contributing Parties shall continue to use their commercially reasonable efforts to consummate the Restructuring as soon as possible. Except otherwise provided in this Section 5.19, the Restructuring Period shall not be extended unless the Company gives its prior consent in writing.

Section 5.20 Non-Assignable Assets.

(a) None of the Key Holder, the Contributing Parties, the Company or the Group Companies will be required to transfer any Contributed Assets which by its terms or by Law is not assignable or transferable without the consent or approval of any Governmental Authority or other third party or satisfaction of any other condition or is cancelable by a third party in the event of an assignment or transfer (a "Non-assignable Asset"), unless and until such consent or approval shall have been obtained or condition satisfied.

(b) Each of the Key Holder, the Contributing Parties, the Company or the Group Companies shall use its commercially reasonable efforts to obtain as expeditiously as possible any consent or approval that may be required and to satisfy a condition necessary to the assignment or transfer of a Non-assignable Asset to the Group Companies.

(c) Unless and until any such consent or approval that may be required is obtained or condition satisfied, to the extent permitted by applicable Law and by the terms of the applicable Non-assignable Asset, each of the Key Holder, the Contributing Parties, the Company or the Group Companies shall cooperate and use its commercially reasonable efforts to establish an arrangement under which the Group Companies would obtain the rights and benefits and assume the corresponding Liabilities and obligations under such Non-assignable Asset (including by means of any subcontracting, sublicensing or subleasing arrangement, as applicable) or under which the Key Holder or the Contributing Parties would, at the reasonable request and at the costs and expenses of the Group Companies, enforce for the benefit of the Group Companies, in respect of such Non-assignable Asset, any and all claims, rights and benefits of the Key Holder and the Contributing Party against a third party thereto. The foregoing arrangement shall not apply to a Transferred Employee.

(d) If and when the applicable consents or approvals, the absence of which caused the deferral of transfer of any Non-assignable Asset pursuant to this Section 5.20, are obtained, the transfer of the applicable Non-assignable Asset to the Group Companies shall automatically and without further action be effected in accordance with the terms of Restructuring Documents, and the Key Holder shall be responsible for any such costs and expenses incurred in respect of such transfer.

(e) For any Non-assignable IP, the Key Holder shall, or shall cause the Contributing Parties, to grant a perpetual, irrevocable, exclusive, free-of-charge, transferable and sub-license in respect of each non-assignable IP to the relevant Group Companies in accordance with the terms of Restructuring Documents, and the Key Holder shall be responsible for any such costs and expenses incurred in respect of such license.

(f) For any Non-assignable Fixed Assets, the Key Holder shall, or shall cause the Contributing Parties, to lease each non-assignable Fixed Assets in perpetuity at no cost to the relevant Group Companies in accordance with the terms of Restructuring Documents, and the Key Holder shall be responsible for any such costs and expenses incurred in respect of such lease other than the costs and expenses for maintenance of such Non-assignable Fixed Assets.

(g) For any Non-assignable Contract, the Company and the Key Holder shall discuss in good faith and agree upon the arrangement to ensure that the arrangements under this Section 5.20 can be applied to such Contract at no cost to the relevant Group Company, and the Key Holder shall be responsible for any such costs and expenses incurred in respect of such lease.

ARTICLE VI

LIQUIDATED DAMAGES

Section 6.1 Valuation of Non-Contributed Assets. If the Restructuring has not been completed in accordance with the Contribution Agreement, the Parties shall discuss in good faith and agree on a process to transfer, assign, sub-lease or sub-license any assets which have not been contributed pursuant to the Contribution Agreement (the "Non-Contributed Assets") to the applicable Group Company.

(a) If the Parties fail to agree on a process within ten (10) Business Days of the discussion, the Purchaser may deliver a written notice (the "Valuation Notice") to the Key Holder requesting the calculation of the fair market value of the Non-Contributed Assets as at the Closing Date, which value shall be expressed as a single value as opposed to a range of values (the "Value of the Non-Contributed Assets").

(b) Following delivery of the Valuation Notice, the Parties shall discuss in good faith the Value of the Non-Contributed Assets. If the Parties fail to agree upon the Value of the Non-Contributed Assets within fourteen (14) Business Days from the delivery of the Valuation Notice by the Purchaser (the "Consensus Period"), then within a further period of fourteen (14) days the Key Holder and the Company shall jointly appoint an internationally reputable business asset valuer (the "Group Valuer"), and the Purchaser (the "Purchaser Valuer") shall appoint another internationally reputable business asset valuer, for each to provide a valuation of the Value of the Non-Contributed Assets, provided that neither the Group Valuer nor the Purchaser Valuer shall be a business asset valuer which has provided services to the Group Companies for five (5) years before such appointment. The Group Valuer and the Purchaser Valuer shall be required to provide their respective valuations of the Value of the Non-Contributed Assets within one (1) month following delivery of the Valuation Notice. The Key Holder and the Company shall fully cooperate with the provision of information necessary for any such valuation.

(c) The Value of the Non-Contributed Assets shall be determined as follows:

(i) if the Parties agree on the Value of the Non-Contributed Assets within the Consensus Period, the Value of the Non-Contributed Assets shall be the agreed valuation.

(ii) if between the valuations provided by the Group Valuer and the Purchaser Valuer, the lower valuation is equal to or exceeds eighty-five percent (85%) of the higher valuation, the Value of the Non-Contributed Assets shall be the average between the two valuations;

(iii) if the lower valuation is less than eighty-five percent (85%) of the higher valuation, then the Value of the Non-Contributed Assets shall be determined in accordance with the following procedure:

(1) The Parties shall, within fourteen (14) days after the delivery of both the Value of the Non-Contributed Assets by the Purchaser Valuer and the Group Valuer, respectively request that the Purchaser Valuer and the Group Valuer agree and appoint a third internationally reputable business asset valuer (the "Third Valuer") to provide a valuation of the Value of the Non-Contributed Assets.

(2) The Value of the Non-Contributed Assets shall be the value of the Non-Contributed Assets determined by the Third Valuer.

(iv) the Key Holder shall bear the costs and expenses in relation to the valuations of the Value of the Non-Contributed Assets by the Group Valuer, the Purchaser Valuer and the Third Valuer above.

Section 6.2 Payment of liquidated damages. Within 10 Business Days of the determination of the Value of the Non-Contributed Assets in Section 6.1(c) above, the Key Holder shall pay in cash to the Company such amount of the Value of the Non-Contributed Assets.

ARTICLE VII

INDEMNIFICATION

Section 7.1 Survival of the Representations and Warranties. All representations and warranties made by the Company or the Key Holder to the Purchaser or by the Purchaser to the Company and the Key Holder shall expire on the date that is eighteen (18) months after the Closing, except the Fundamental Representations, which shall expire on the expiration of the applicable statute of limitations. Notwithstanding the foregoing, any claims which have been asserted in writing pursuant to Section 7.2 against the Party making such representations and warranties on or prior to such applicable expiration date shall continue to survive and be fully effective and enforceable until a final and nonappealable Order of a Governmental Authority of competent jurisdiction has been issued. The covenants and agreements of any Party contained in this Agreement shall survive the Closing until they are terminated, whether by performance thereof, their express terms or as a matter of applicable Law.

Section 7.2 Indemnification. From and after the Closing, each Party, as applicable (the “Indemnifying Party”), shall indemnify and hold the other Parties and their respective directors, officers and agents (collectively, the “Indemnified Party”) harmless from and against any losses, claims, damages, Liabilities, judgments, fines, obligations, expenses and Liabilities of any kind or nature whatsoever, including but not limited to any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding, and any taxes or levies that may be payable by such person by reason of the indemnification of any indemnifiable loss hereunder (collectively, “Losses”) resulting from or arising out of: (i) the breach of any representation or warranty of the Indemnifying Party contained in this Agreement; (ii) the violation or nonperformance, partial or total, of any covenant or agreement of the Indemnifying Party contained in this Agreement; (iii) all obligations for severance or similar payments to or any social insurance or similar statutory payments in relation to the Transferred Employees incurred in respect of the transfer of the Transferred Employees, if any, to the relevant Group Companies; or (iv) the failure of the Key Holder, the Company or the relevant Group Companies to register or transfer the Transferred IP to the relevant Group Companies pursuant to the terms of the Contribution Agreement. For the avoidance of doubt, the Company shall not indemnify the Key Holder, and the Key Holder shall not indemnify the Company pursuant to this Section 7.2 for the same Losses if such Losses have already been recovered by the Company pursuant to the terms of the Contribution Agreement or the Restructuring Documents.

Section 7.3 Third Party Claims.

(a) If any third party shall notify any Indemnified Party in writing with respect to any matter involving a claim by such third party (a "Third Party Claim") which such Indemnified Party believes would give rise to a claim for indemnification against the Indemnifying Party under this Article VII, then the Indemnified Party shall promptly following receipt of notice of such claim (i) notify the Indemnifying Party thereof in writing and (ii) transmit to the Indemnifying Party a written notice ("Claim Notice") describing in reasonable detail the nature of the Third Party Claim, a copy of all papers served with respect to such claim (if any), and the basis of the Indemnified Party's request for indemnification under this Agreement. Notwithstanding the foregoing, no failure or delay in providing such notice shall constitute a waiver or otherwise modify the Indemnified Party's right to indemnity hereunder, except to the extent that the Indemnifying Party shall have been prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party in writing within thirty (30) days from receipt of such Claim Notice that the Indemnifying Party disputes such claim for indemnification under this Agreement, the Indemnifying Party shall be deemed to have accepted and agreed with such claim for indemnification under this Agreement.

(b) Upon receipt of a Claim Notice with respect to a Third Party Claim, the Indemnifying Party shall have the right to assume the defense of any Third Party Claim by, within thirty (30) days of receipt of the Claim Notice, notifying the Indemnified Party in writing that the Indemnifying Party elects to assume the defense of such Third Party Claim, and upon delivery of such notice by the Indemnifying Party, the Indemnifying Party shall have the right to fully control and settle the proceeding; provided that any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnified Party. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim if (i) the Third Party Claim relates to or arises in connection with any criminal action, (ii) the Third Party Claim seeks an injunction or equitable relief against any Indemnified Party, (iii) the Third Party Claim is or would reasonably be expected to result in Losses in excess of the amounts available for indemnification pursuant to Section 7.5 or (iv) the Indemnifying Party has not acknowledged that such Third Party Claim is subject to indemnification pursuant to this Article VII. If the Indemnifying Party assumes the defense of a Third Party Claim pursuant to this Section 7.3(b), the Indemnifying Party shall conduct such defense in good faith.

(c) If requested by the Indemnifying Party, the Indemnified Party shall, at the sole cost and expense of the Indemnifying Party, cooperate reasonably with the Indemnifying Party and its counsel in contesting any Third Party Claim which the Indemnifying Party elects to contest, including in connection with the making of any related counterclaim against the person asserting the Third Party Claim or any cross complaint against any person. The Indemnified Party shall have the right to receive copies of all pleadings, notices and communications with respect to any Third Party Claim, other than any privileged communications between the Indemnifying Party and its counsel, and shall be entitled, at its sole cost and expense, to retain separate co-counsel and participate in, but not control, any defense or settlement of any Third Party Claim assumed by the Indemnifying Party pursuant to Section 7.3(b).

(d) In the event of a Third Party Claim for which the Indemnifying Party elects not to assume the defense, fails to make such an election within the thirty (30) days of the Claim Notice or otherwise fails to continue the defense of the Indemnified Party reasonably and in good faith, the Indemnified Party may, at its option, defend, settle, compromise or pay such action or claim at the expense of the Indemnifying Party; provided that any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

Section 7.4 Other Claims. In the event any Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party shall promptly transmit to the Indemnifying Party a written notice (the "Indemnity Notice") describing in reasonable detail the nature of the claim, the Indemnified Party's best estimate of the amount of Losses attributable to such claim and the basis of the Indemnified Party's request for indemnification under this Agreement; provided that no failure or delay in providing such notice shall constitute a waiver or otherwise modify the Indemnified Party's right to indemnity hereunder, except to the extent that the Indemnifying Party shall have been prejudiced by such failure or delay. If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the Indemnity Notice that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

Section 7.5 Limitations on Liability. Notwithstanding the foregoing, other than with respect to fraud, breach of the Fundamental Representations and indemnification pursuant to Section 7.2(ii), (i) no Party shall have liability (for indemnification or otherwise) with respect to any Losses unless the aggregate amount of such Losses exceeds US\$1,500,000 (in which case, the entire amount of Losses, subject to Section 7.5(ii) below, shall be payable by the liable Party), and (ii) the maximum liability for the Company or the Key Holder with respect to the Purchaser and the maximum liability for the Purchaser, in each case, shall not exceed an amount equal to 50% of the Purchaser's purchase price. No Indemnifying Party shall be required to compensate any Indemnified Party more than once (whether under this Agreement or any other Transaction Document) in respect of the same Loss.

Section 7.6 Exclusive Remedy. Subject to Section 8.11 and Article VI, and other than with respect to fraud, from and after the Closing, this Article VII shall provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement or other claim resulting from or arising out of this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Disclosure Schedule References. The Parties agree that any reference in a particular Section of the Disclosure Schedule shall be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (i) the representations and warranties (or covenants, as applicable) of the relevant Party that are contained in the corresponding Section of this Agreement and (ii) any other representations and warranties of such Party that is contained in this Agreement (regardless of the absence of an express reference or cross reference thereto), but only if the relevance of that reference as an exception to (or a disclosure for purposes of) such representations and warranties would be reasonably apparent. The Parties acknowledge and agree that the Disclosure Schedule may include certain items and information solely for informational purposes for the convenience of the Purchaser, and the disclosure by the Company of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgment by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

Section 8.2 Governing Law; Arbitration. This Agreement shall be governed and interpreted in accordance with the internal laws of Hong Kong. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“Dispute”) shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules then in force. There shall be three arbitrators. The Company and the Key Holder collectively shall have the right to appoint one arbitrator, the Purchaser shall have the right to appoint one arbitrator, and the third arbitrator shall be appointed by the Hong Kong International Arbitration Centre. The language to be used in the arbitration proceedings shall be English. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement or the Contemplated Transactions. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

Section 8.3 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties.

Section 8.4 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the Parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 8.5 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned by the any Party without the express written consent of the other Parties. Any purported assignment in violation of the foregoing sentence shall be null and void. Notwithstanding the foregoing, the Purchaser may assign its rights hereunder to any Affiliate of the Purchaser.

Section 8.6 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) in writing and served by personal delivery upon the party for whom it is intended; (b) if delivered by facsimile or electronic mail with receipt confirmed; or (c) if delivered by certified mail, registered mail or courier service, return-receipt received to the party at the address as set forth in Schedule B. Any Party may change its address for purposes of this Section 8.6 by giving the other Parties written notice of the new address in the manner set forth above.

Section 8.7 Entire Agreement. This Agreement (together with the schedules and exhibits hereto and the other Transaction Documents) constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby, and all agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby prior to the execution of this Agreement are merged and superseded by this Agreement and the other Transaction Documents.

Section 8.8 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from this Agreement in order to render the remainder of this Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 8.9 Fees and Expenses. Except as otherwise provided in this Agreement, the Parties will bear their respective expenses incurred in connection with the negotiation, preparation and execution of this Agreement and the Contemplated Transactions, except that the Key Holder shall be responsible for any fees and expenses incurred in respect of the Restructuring pursuant to the Contribution Agreement (including fees and expenses of attorneys, accountants, consultants and financial advisors). Except as otherwise provided in this Agreement, any taxes arising from this Agreement and the Contemplated Transactions shall be borne by the Parties pursuant to the applicable tax Law.

Section 8.10 Confidentiality.

(a) Each Party shall keep confidential any non-public material or information with respect to the business, technology, financial conditions, and other aspects of the other Parties which it is aware of, or have access to, in signing or performing this Agreement (including written or non-written information, hereinafter the "Confidential Information"). Confidential Information shall not include any information that is (a) previously known on a non-confidential basis by the receiving Party, (b) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates' officers, directors or employees, (c) received from a party other than the Company or the Company's representatives or agents, so long as such party was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to the Company or (d) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party. The Parties hereby agree, for the purpose of this Section 8.10, that the existence and terms and conditions of this Agreement and schedules hereof shall be deemed as Confidential Information; provided that notwithstanding any other provision of this Agreement, the Key Holder shall be permitted to include a description of this Agreement and its terms, which description shall be true and consistent with the terms hereunder in all respects, in any filing with any securities exchange and/or governmental authorities, and any documents or communications undertaken in connection with such filing(s), subject to the Key Holder providing the Purchaser with a reasonable opportunity to review a draft of any such description and giving due consideration to the Purchaser's reasonable comments, if any, to such disclosure to the extent permitted by applicable Laws (including any rules or regulations of any securities exchange or valid legal process). Notwithstanding any other provision of this Section 8.10, this Section 8.10 shall not restrict the Purchaser's or its Affiliates' normal accounting or tax reporting in respect of the Purchaser's investment in the Company as required by (i) applicable Law and (ii) the Accounting Principles, as applicable.

(b) Notwithstanding any other provisions in this Section 8.10, if any Party believes in good faith that any announcement or notice must be prepared or published pursuant to applicable Laws (including any rules or regulations of any securities exchange or valid legal process) or information is otherwise required to be disclosed to any Governmental Authority, such Party may, in accordance with its understanding of the applicable Laws, make the required disclosure in the manner it deems in compliance with the requirements of applicable Laws; provided that the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, provide the other Parties with prompt notice of such requirement and cooperate with the other Parties at such other Parties' request and at the requesting Party's cost, to enable such other Parties to seek an appropriate protection order or remedy. In addition, each Party may disclose, after giving prior notice to the other Parties to the extent practicable under the circumstances and subject to any practicable arrangements to protect confidentiality, Confidential Information to the extent required under judicial or regulatory process or in connection with any judicial process regarding any legal action, suit or proceeding arising out of or relating to the Transaction Documents; provided that the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, at the other Parties' request and at the requesting Party's cost, cooperate with the other Parties to enable such other Parties to seek an appropriate protection order or remedy.

(c) Each Party may disclose the Confidential Information only to its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives on a need-to-know basis in the performance of the Transaction Documents; provided that such Party shall ensure such persons strictly abide by the confidentiality obligations hereunder.

(d) The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to the other Party.

Section 8.11 Specific Performance. The Parties agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 8.12 Termination.

(a) This Agreement shall terminate upon the earlier to occur of (i) the written consent of each of the Parties and (ii) the Closing having not occurred on or prior to such date, May 31, 2017 (unless otherwise agreed upon between the Company and the Purchaser).

(b) Any Party may terminate this Agreement, upon written notice to the other Parties, if any Governmental Authority shall have issued any Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Contemplated Transactions and such Order or other action has become final and nonappealable (provided that no Party shall be permitted to terminate this Agreement pursuant to this Section 8.12(b) if the imposition of such Order or other action was proximately caused by the breach by such Party or its Affiliate of any representation, warranty or covenant in this Agreement).

(c) The Purchaser may terminate this Agreement if there exists a breach of any warranty of the Company or the Key Holder such that the condition set forth in Section 3.1 would not be satisfied and breach has not been cured (or is incapable of being cured) by the Company within thirty (30) days following its receipt of notice from the Purchaser of such breach.

(d) The Company may terminate this Agreement if there exists a breach of any warranty of the Purchaser such that the condition set forth in Section 3.2 would not be satisfied and breach has not been cured (or is incapable of being cured) by the Purchaser within thirty (30) days following its receipt of notice from the Company of such breach.

(e) Upon any termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Article VII and this Article VIII, which shall survive any termination under this Section 8.12; provided that no termination of this Agreement shall relieve any Party of liability for any breach of this Agreement prior to such termination.

Section 8.13 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 8.14 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Delivery of executed signature pages by facsimile or electronic transmission (via scanned PDF) will constitute effective and binding execution and delivery of this Agreement.

Section 8.15 Press Release and Public Filing. Upon the signing of this Agreement by all of the Parties, each Party may issue a press release regarding the Contemplated Transactions, in the form previously agreed by the Parties.

Section 8.16 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 8.17 No Third Party Right. The Parties do not intend that any term of this Agreement should be enforceable by any person who is not a party to this Agreement by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) or otherwise. Notwithstanding any benefits possibly conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623), the Parties may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of any Third Party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

YIXIN CAPITAL LIMITED

By: /s/ Andy Xuan Zhang
Name: Andy Xuan Zhang
Title: CEO

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

BITAUTO HOLDINGS LIMITED

By: /s/ William Bin Li
Name: William Bin Li
Title: Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

TENCENT MOBILITY LIMITED

By: /s/ Ma Huateng

Name: Ma Huateng

Title: Director

[SIGNATURE PAGE TO SHARE SUBSCRIPTION AGREEMENT]

SCHEDULE A

SCHEDULE OF PURCHASER

Name of Purchaser	Jurisdiction of Incorporation	Number of Subscription Shares	Purchase Price (US\$)
Tencent Mobility Limited	Hong Kong	16,121,570 Series C Preference Shares	75,000,000

**AMENDMENT TO
SHARE SUBSCRIPTION AGREEMENT**

This **AMENDMENT** to the Share Subscription Agreement (this "**Amendment**") is made and entered into as of May 25, 2017 by and among Yixin Group Limited (formerly known as Yixin Capital Limited), an exempted company incorporated in the Cayman Islands (the "**Company**"), Bitauto Holdings Limited, an exempted company incorporated under the Laws of the Cayman Islands (the "**Key Holder**"), and Tencent Mobility Limited, a limited liability company incorporated under the Laws of Hong Kong (the "**Purchaser**"). Each of the Purchaser, the Company and the Key Holder is referred to herein as a "**Party**," and collectively as the "**Parties**." Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Subscription Agreement (as defined below).

WHEREAS, the Parties have entered into a Share Subscription Agreement dated May 11, 2017 (the "**Subscription Agreement**"), pursuant to which the Company has agreed to issue to the Purchaser, and the Purchaser has agreed to subscribe from the Company certain Series C Preference Shares upon the terms and subject to the conditions set forth therein.

WHEREAS, pursuant to Section 8.3 of the Subscription Agreement, any provision of the Subscription Agreement may be amended in writing by the Parties.

WHEREAS, the Parties desire to amend the Subscription Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the adequacy of which is hereby acknowledged, and intending to be legally bound, the Parties hereby amend the Subscription Agreement, as follows:

ARTICLE I

AMENDMENTS TO THE SUBSCRIPTION AGREEMENT

1 . **Amendment to Section 1.1.** The definition of "ESOP" under Section 1.1 of the Subscription Agreement is hereby amended by deleting it in its entirety and replacing it with the following text:

"ESOP" shall mean the employee equity incentive plan(s), including the share award scheme(s), in respect of up to 53,399,240 Ordinary Shares, such employee equity incentive plan(s) to be adopted by the Company and in the form and substance reasonably satisfactory to any of the Purchaser, Dongting Lake Investment Limited or Morespark Limited.

2 . **Amendment to Section 3.1.** The Parties agree that Section 3.1 of the Subscription Agreement is hereby amended by adding the following Section 3.1(r):

(r) Surrender of Shares. Each of Above Master Limited and Alpha Start Global Limited shall have surrendered their ordinary shares to the Company, amounting to 41,271,230 ordinary shares in aggregate, the cancellation of which will concurrently occur with the Closing.

3 . **Amendment to Section 3.1(o).** The Parties agree that Section 3.1(o) of the Subscription Agreement is hereby amended by deleting the section in its entirety and replacing it with the following text:

Financial Statements. The Company shall have delivered to the Purchaser (i) the unaudited consolidated income statement and balance sheet of the Company as of December 31, 2016, (ii) the audited financial statements as of December 31, 2016 of Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司), Shanghai Yixin Financial Leasing Co., Ltd.(上海易鑫融资租赁有限公司), Shanghai Techuang Advertising Co., Ltd. (上海特创广告有限公司), Xinch Investment (Shanghai) Co., Ltd.(鑫车投资(上海)有限公司) and Tianjin Hengtong Jiahe Finance Leasing Co., Ltd. (天津恒通嘉合融资租赁有限公司), (collectively, the “**Company Financial Statements**”), (iii) the unaudited consolidated income statement and balance sheet of the Transferred Subsidiary as of April 30, 2017, the “**Transferred Subsidiary Financial Statements**”, and (iv) the unaudited consolidated income statement and balance sheet of Beijing Yixin Car Rental Limited (北京易鑫汽车租赁有限公司) as of April 30, 2017.

4 . **Amendment to Section 5.9.** The Parties agree that Section 5.9 of the Subscription Agreement is hereby amended by deleting the section in its entirety and replacing it with the following text:

Adoption of the ESOP. As of the Closing, the Company shall have reserved 53,399,240 Ordinary Shares of the Company for the ESOP(s). The Company shall adopt the ESOP(s) for the reserved Ordinary Shares, such adoption and terms of the ESOP(s) to be subject to the approval of any of the Purchaser, Dongting Lake Investment Limited or Morespark Limited.

5 . **Amendment to Section 4.1(e) to the Disclosure Schedule.** The Parties agree that the capitalization table of the Company immediately after Closing as set out in Section 4.1(e) to the Disclosure Schedule is hereby amended by deleting such capitalization table in its entirety and replacing it with the following text:

Shareholders	Pro-forma Series C (on a fully diluted basis)	
	Shares	%
Ordinary Shares		
Bitauto Hong Kong Limited	134,999,060	16.70%
New ESOP	53,399,240	6.60%
Series A Preference Shares		
Bitauto Hong Kong Limited	115,341,560	14.27%
Dongting Lake Investment Limited (Tencent)	133,086,420	16.46%
JD Financial Investment Limited	88,724,280	10.97%
Hammer Capital Management Limited	8,872,430	1.10%
Series B Preference Shares		
Bitauto Hong Kong Limited	72,544,880	8.97%
Baidu (Hong Kong) Limited	27,091,450	3.35%
Morespark Limited (Tencent)	38,229,050	4.73%
JD Financial Investment Limited	9,030,480	1.12%
HCM IV Limited	9,632,520	1.19%
BAI GmbH	4,515,240	0.56%
Genius Concept Limited	4,515,240	0.56%
Series C Preference Shares		
Bitauto Hong Kong Limited	4,299,090	0.53%
Bitauto Holdings Limited	70,934,920	8.77%
Tencent Mobility Limited	16,121,570	1.99%
IDG China Capital Fund III L.P.	5,923,710	0.73%
IDG China Capital III Investors L.P.	524,910	0.06%
Pacific Treasure Global Limited	2,149,540	0.27%
China Orient Asset Management (International) Holding Limited	8,598,170	1.06%
Total	808,533,760	100%

6 . **Amendment to Article 5.7 of Form of Restated Shareholders Agreement.** The Parties agree that Article 5.7 of the Form of Restated Shareholders Agreement is hereby amended by deleting the section in its entirety and replacing it with the following text:

“Incentive Plan. Upon the date hereof, the Company shall reserve 53,399,240 Ordinary Shares of the Company for the ESOP(s).”

7 . **Amendment to Schedule 4 of Form of Restated Shareholders Agreement.** The Parties agree that Schedule 4 of the Form of Restated Shareholders Agreement is hereby amended by deleting the section in its entirety and replacing it with the following text:

SHAREHOLDING STRUCTURE OF THE COMPANY

Company’s authorized capital: US\$150,000 divided into 1,500,000,000 shares, with a par value of US\$0.0001 each

Shareholders	Pro-forma Series C (on a fully diluted basis)	
	Shares	%
Ordinary Shares		
Bitauto Hong Kong Limited	134,999,060	16.70%
New ESOP	53,399,240	6.60%
Series A Preference Shares		
Bitauto Hong Kong Limited	115,341,560	14.27%
Dongting Lake Investment Limited (Tencent)	133,086,420	16.46%
JD Financial Investment Limited	88,724,280	10.97%
Hammer Capital Management Limited	8,872,430	1.10%
Series B Preference Shares		
Bitauto Hong Kong Limited	72,544,880	8.97%
Baidu (Hong Kong) Limited	27,091,450	3.35%
Morespark Limited (Tencent)	38,229,050	4.73%
JD Financial Investment Limited	9,030,480	1.12%
HCM IV Limited	9,632,520	1.19%
BAI GmbH	4,515,240	0.56%
Genius Concept Limited	4,515,240	0.56%
Series C Preference Shares		
Bitauto Hong Kong Limited	4,299,090	0.53%
Bitauto Holdings Limited	70,934,920	8.77%
Tencent Mobility Limited	16,121,570	1.99%
IDG China Capital Fund III L.P.	5,923,710	0.73%
IDG China Capital III Investors L.P.	524,910	0.06%
Pacific Treasure Global Limited	2,149,540	0.27%
China Orient Asset Management (International) Holding Limited	8,598,170	1.06%
Total	808,533,760	100%

ARTICLE II

MISCELLANEOUS

8. **Effectiveness.** This Amendment shall become effective upon the date hereof.

9. **Binding Effect.** Except to the extent set forth and amended expressly herein, each of the Parties acknowledges and agrees that all terms and provisions, covenants and conditions of the Subscription Agreement and all documents executed in conjunction therewith shall be and remain in full force and effect. Further, each of the Parties acknowledges and agrees that this Amendment shall be deemed to form an integral part of the Subscription Agreement, and the Subscription Agreement, as amended hereby, shall constitute its legal, valid and binding obligation, in each case, enforceable against it in accordance with its terms as of the date hereof, except, in each case, as may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws affecting the enforcement of creditors' rights generally and by general principals of equity regardless of whether the issue of enforceability is considered in a proceeding in equity or at law. For the avoidance any doubt, with respect to Amendment to Section 4.1(e) to the Disclosure Schedule, the relevant representations and warranties shall be deemed to be made as if it were made on the date of the Subscription Agreement. In the event of any inconsistency or conflict between the provisions of the Subscription Agreement and this Amendment, the provisions of this Amendment will prevail and govern. All references to the "Agreement" in the Subscription Agreement shall hereinafter refer to the Subscription Agreement as amended by this Amendment.

10. **Entire Agreement.** This Amendment, the Subscription Agreement and the other documents referred to herein and therein constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings, both oral and written, between the Parties and/or their Subsidiaries and Affiliates with respect to the subject matter hereof and thereof.

11. **Other Miscellaneous Terms.** The provisions of Article VIII (*Miscellaneous*) of the Subscription Agreement shall apply *mutatis mutandis* to this Amendment, and to the Subscription Agreement as modified by this Amendment, taken together as a single agreement, reflecting the terms therein as modified by this Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

BITAUTO HOLDINGS LIMITED

By: /s/ Bin Li
Name:
Title:

[SIGNATURE PAGE TO AMENDMENT TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

YIXIN GROUP LIMITED

By: /s/ Xuan Zhang

Name:

Title:

[SIGNATURE PAGE TO AMENDMENT TO SHARE SUBSCRIPTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

TENCENT MOBILITY LIMITED

By: /s/ Ma Huateng

Name: Ma Huateng

Title: Director

[SIGNATURE PAGE TO AMENDMENT TO SHARE SUBSCRIPTION AGREEMENT]

SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

among

YIXIN GROUP LIMITED 易鑫集团有限公司

BITAUTO HONG KONG LIMITED

PARTIES LISTED ON SCHEDULE 1

PARTIES LISTED ON SCHEDULE 2 and

PARTIES LISTED ON SCHEDULE 3

Dated May 26, 2017

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1 INTERPRETATION	1
SECTION 2 OBLIGATIONS OF THE SHAREHOLDERS	10
SECTION 3 RESTRICTIONS ON TRANSFER OF SHARES	10
SECTION 4 PREEMPTIVE RIGHTS	17
SECTION 5 CORPORATE GOVERNANCE	20
SECTION 6 REGISTRATION RIGHTS	26
SECTION 7 COVENANTS	26
SECTION 8 REPRESENTATIONS AND WARRANTIES	33
SECTION 9 CONFIDENTIALITY	33
SECTION 10 TERM AND TERMINATION	35
SECTION 11 NOTICES	35
SECTION 12 MISCELLANEOUS	36
SECTION 13 GOVERNING LAW AND DISPUTE RESOLUTION	39
<u>SCHEDULES AND EXHIBITS</u>	
SCHEDULE 1 LIST OF SERIES A INVESTORS	
SCHEDULE 2 LIST OF SERIES B INVESTORS	
SCHEDULE 3 LIST OF SERIES C INVESTORS	
EXHIBIT A REGISTRATION RIGHTS	

THIS SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this “**Agreement**”) is made as of May 26, 2017

AMONG:

- (1) YIXIN GROUP LIMITED 易鑫集团有限公司 (formerly named as YIXIN CAPITAL LIMITED), a company incorporated under the laws of the Cayman Islands (the “**Company**”);
- (2) BITAUTO HONG KONG LIMITED, a company incorporated under the Hong Kong laws (“**Bitauto**”);
- (3) the Persons listed on SCHEDULE 1 hereto (collectively, the “**Series A Investors**”, and each a “**Series A Investor**”);
- (4) the Persons listed on SCHEDULE 2 hereto (collectively, the “**Series B Investors**”, and each a “**Series B Investor**”); and
- (5) the Persons listed on SCHEDULE 3 hereto (collectively, the “**Series C Investors**”, and each a “**Series C Investor**”).

RECITALS:

- (A) The Company, the Series A Investors, the Series B Investors and certain other parties named therein entered into the Amended and Restated Shareholders Agreement dated August 19, 2016 (the “**Prior Shareholders Agreement**”).
- (B) On the date hereof, the Series C Investors have subscribed for certain Series C Preference Shares (as defined below) in the Company. The shareholding details of the Company on the date hereof are set out in SCHEDULE 4 hereto.
- (C) The Parties desire to amend, restate and supersede the Prior Shareholders Agreement in its entirety, and to accept the rights, obligations and covenants hereof in lieu of their rights, obligations and covenants under the Prior Shareholders Agreement.

AGREEMENT:

SECTION 1 INTERPRETATION

1.1 Definitions. In this Agreement, unless the context otherwise requires the following words and expressions have the following meanings:

“**Accounting Principles**” means, with respect to the Company and its Subsidiaries, the International Financial Reporting Standards as issued by the International Accounting Standards Board, the Generally Accepted Accounting Principles in the United States or the Generally Accepted Accounting Principles in the PRC.

“**Act**” means the Companies Law (2016 Revision) of the Cayman Islands, as amended, modified or re-enacted from time to time.

“**Affiliate**” of a Person (the “**Subject Person**”) means (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (b) in the case of a natural person, any other Person that is directly or indirectly Controlled by the Subject Person or is a Relative of the Subject Person; provided that the Company and its Subsidiaries shall be deemed not to be Affiliates of any Shareholder.

“**Anticorruption Laws**” means any applicable laws, regulations or orders relating to anti-bribery or anticorruption (governmental or commercial), which apply to the business and dealings of the Group Companies, including but not limited to, the U.S. Foreign Corrupt Practices Act of 1977, as amended from time to time.

“**Articles**” means, collectively, the Third Amended and Restated Memorandum and Articles of Association of the Company effective as of the date hereof.

“**Baidu**” means Baidu (Hong Kong) Limited, a company incorporated under the laws of Hong Kong.

“**Board**” means the board of Directors of the Company.

“**Business**” shall have the meaning given to it in the Share Subscription Agreements.

“**Business Cooperation Agreement**” means the Business Cooperation Agreement, dated May 11, 2017, by and between the Company and the Key Holder.

“**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, New York, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“**CEO**” means the chief executive officer of the Company.

“**Company Representative**” means any of the Company, any other Group Company, or any director, officer, agent, employee, representative, consultant, or any other Person acting for or on behalf of the foregoing (individually and collectively).

“**Competitor**” means any Person or Affiliates of any such Person whose primary business is in direct competition with the Business.

“**Contribution Agreement**” means the Contribution Agreement, dated May 11, 2017, by and between the Company and the Key Holder.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person. The term “**Controlled**” or “**Controls**” has the meaning correlative to the foregoing.

“**Control Documents**” means, collectively, the agreements made from time to time, which enable the Company to exclusively Control, and consolidate in its financial statements the results of the VIE Entity, entered into between the wholly foreign-owned entity established by the Company in China on the one hand and the VIE Entity or the shareholders of the VIE Entity on the other hand.

“**Directors**” means the members of the Board (including any duly appointed alternate director).

“**Encumbrance**” means any mortgage, charge, pledge, lien (other than arising by statute or operation of law), hypothecation, equities, adverse claims, or other encumbrance, priority or security interest, over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same.

“**Equity Securities**” means, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

“**ESOP**” means the employee stock ownership plan adopted by the Company from time to time.

“**Financial Year**” means the financial year of the Company, which ends on December 31.

“**Government Official**” means (i) any official, officer, employee, or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, or (ii) any party official or candidate for political office (other than officials or candidates for party committees or other organizations in any Group Company).

“**Governmental Authority**” means any government or political subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, commission, court, department or other instrumentality thereof and any governing body of any securities exchange.

“**Governmental Entity**” means (i) any national, federal, state, provincial county, municipal, local, or foreign government or any entity exercising executive, legislative, judicial, regulatory, taxing, or administrative functions of or pertaining to government, (ii) any public international organization, (iii) any agency, division, bureau, instrumentality, department, or other political subdivision of any government, entity or organization described in the foregoing clauses (i) or (ii) of this definition, (iv) any company, business, enterprise, or other entity controlled by any government, entity, organization, or other Person described in the foregoing clauses (i), (ii) or (iii) of this definition, or (v) any political party.

“**Group**” or “**Group Companies**” means collectively the Company and its Subsidiaries, and a “**Group Company**” means any of them.

“**IPO**” means an initial public offering of Ordinary Shares on an internationally recognized stock exchange.

“**Key Employees**” means the employees who are listed in SCHEDULE 5.

“**Key Holder**” means Bitauto Holdings Limited, a company incorporated under the laws of the Cayman Islands.

“**JD**” means JD Financial Investment Limited, a BVI business company incorporated under the laws of the British Virgin Islands.

“**Leading Investors**” means Bitauto, Tencent, JD and Baidu and a “**Leading Investor**” means any of them.

“**Nominee Shareholder**” means the Person nominated by each of the Leading Investors as a shareholder of the VIE Entity of the Company. The Nominee Shareholder for Bitauto shall initially be Mr. Bin Li, the Nominee Shareholder for Tencent shall initially be 深圳市腾讯产业投资基金有限公司, and the Nominee Shareholder for JD shall initially be 北京甲盛投资管理有限公司.

“**Ordinary Shares**” means the ordinary shares, par value \$0.0001 each, in the capital of the Company.

“**Party**” or “**Parties**” means any signatory or the signatories to this Agreement and any Person or Persons who subsequently becomes a party to this Agreement as provided herein.

“**Person**” means any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“**PRC**” means the People’s Republic of China, but for purposes of this Agreement, excluding Hong Kong, Macau and Taiwan.

“**Preferred Shareholders**” means the Series A Investors, Series B Investors and Series C Investors, and a “**Preferred Shareholder**” means any one of them.

“**Preference Shares**” means the Series A Preference Shares, Series B Preference Shares and Series C Preference Shares.

“**Pro Rata Share**” means, with respect to any Shareholder, the proportion that is calculated as (i) the number of Shares held by such Shareholder divided by (ii) the aggregate number of Shares held by all Shareholders, in each case on an as converted and non-diluted basis.

“**Qualified IPO**” means a firm commitment underwritten public offering of Ordinary Shares of the Company or of the listing vehicle (or securities representing such Ordinary Shares) on a Recognized Exchange which meets the following requirements: (a) the offering price per share values the Company at US\$5,000,000,000 or more on a fully diluted basis immediately following the completion of such offering and (b) such offering results in gross proceeds of at least US\$400,000,000. The term “**gross proceeds**” used herein means the total amount raised from sale to public shareholders pursuant to an initial public offering, including cornerstone investments, prior to paying any IPO related expenses including without limitation to underwriters’ discounts and fees, legal expenses, auditors’ fees and similar third party expenses. A “**Qualified IPO**” shall also include an IPO that does not satisfy the foregoing valuation and gross proceeds if the holders of at least 70% of the then issued and outstanding Preference Shares voting as a single class on an as-converted basis, have expressly agreed in writing that such an offering shall be deemed a “**Qualified IPO**.” The term “consummation of a Qualified IPO” in the context of a Qualified IPO on the Stock Exchange of Hong Kong shall mean the date when the Ordinary Shares of the Company or of the listing vehicle (or securities representing such Ordinary Shares) is listed on such stock exchange. In the event of a Qualified IPO on another exchange, this term shall have the customary meaning applied to such a listing on such applicable exchange.

“**Recognized Exchange**” means the main board of the Stock Exchange of Hong Kong, NASDAQ, New York Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange.

“**Regulatory Approvals**” means all approvals, permissions, authorizations, consents and notifications from any Governmental Authority, regulatory or departmental authority.

“**Related Party**” means any of following: (a) any shareholder of the Company or the VIE Entity, who beneficially owns more than 5% of the voting securities or ownership interests of the Company or the VIE Entity, as the case may be (each, a “**Substantial Shareholder**”), (b) any director or executive officer of any Group Company, (c) Mr. Bin Li, (d) the Key Employees and (e) any Person in which any Substantial Shareholder, director or executive officer of any Group Company, Mr. Bin Li, Key Employees or Substantial Shareholder owns more than 5% of the voting securities or ownership interests.

“**Related Party Transaction**” means a transaction between any Group Company, on the one hand, and any Related Party, on the other hand.

“**Relative**” of a natural person means any spouse, parent, child, or sibling of such person.

“**RMB**” means Renminbi, the lawful currency of the People’s Republic of China.

“**Restricted Person**” means (i) in the case of a Transfer by Shareholders other than Bitauto and the Key Holder, a “**Company Restricted Person**”, (ii) in the case of a Transfer by Shareholders other than Tencent, a “**Tencent Restricted Person**”, (iii) in the case of a Transfer by Shareholders other than JD, a “**JD Restricted Person**”, and (iv) in the case of a Transfer by Shareholders other than Baidu, a “**Baidu Restricted Person**”, in each case as such persons is agreed from time to time among the Leading Investors and the Company, and in each case to include the Affiliates of the agreed persons.

“**Series A Preference Shares**” means the Series A preference shares, par value US\$0.0001 each, in the capital of the Company.

“**Series B Preference Shares**” means the Series B preference shares, par value US\$0.0001 each, in the capital of the Company.

“**Series C Preference Shares**” means the Series C preference shares, par value US\$0.0001 each, in the capital of the Company.

“**Share Subscription Agreements**” means the Series C Preference Shares Subscription Agreements by and among the Company and each of the purchasers of the Series C Preference Shares, as amended from time to time.

“**Shareholders**” means the holders of the Shares of the Company and in the case of any Shareholder that is a natural person shall be deemed to include the estate of such Shareholder and the executor, conservator, committee or other similar legal representative of such Shareholder or such Shareholder’s estate following the death or incapacitation of such Shareholder.

“**Shares**” means collectively the Ordinary Shares and the Preference Shares.

“**Subsidiary**” of any Person means any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is Controlled by such Person. For the avoidance of doubt, a “variable interest entity” Controlled by a Person shall be deemed a Subsidiary of such Person (the “**VIE Entity**”).

“**Tencent**” means (i) Dongting Lake Investment Limited, a company incorporated under the laws of the British Virgin Islands, (ii) Morespark Limited, a company incorporated under the laws of Hong Kong, and (iii) Tencent Mobility Limited, a company incorporated under the laws of Hong Kong; *provided* that, for the purpose of obtaining the consent, approval, authorization or permission (as the case may be) from Tencent under this Agreement, consent, approval, authorization or permission from any of the single entity described in proviso (i), (ii) or (iii) shall be deemed as from Tencent.

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

“US\$” means United States Dollars, the lawful currency of the United States of America.

1.2 Terms Defined Elsewhere in this Agreement. The following terms are defined in this Agreement as follows:

Term	Section
Acceptance Notice	3.4(d)
Agreement	Preamble
Arbitration Notice	13.2
Baidu Director	5.2(a)(iii)
Bitauto	Preamble
Bitauto Directors	5.2(a)(iv)
Breaching Drag-Along Shareholder	3.6(c)
Company	Preamble
Competing Business	7.15(a)
Competitor	7.15(a)
Confidential Information	9.1
Dispute	13.2
Drag-Along Event	3.6(a)
Drag-Along Proxy Holder	3.6(c)
Drag-Along Sale	3.6(a)(i)
Drag-Along Shareholders	3.6(b)
Dragging Shareholders	3.6(a)
Electing Offeree	3.4(c)
Excess Offered Shares	3.4(c)
Excess Securities	4.3(a)
First Refusal Allocation	3.4(c)
First Refusal Right	3.4(a)
Fully Participating Shareholder	4.3(a)
HKIAC	13.2
Investee	7.15(c)
Issuance Period	4.3(c)
Issuance Securities	4.1(a)
JD Director	5.2(a)(ii)
New Appointment	7.11
Non-Electing Offerees	3.4(c)
Notices	11.1
Offer Period	3.4(c)
Offer Price	3.4(b)
Offered Shares	3.4(b)
Offerees	3.4(b)
Permitted Transferee	3.3(d)
Preemptive Acceptance Notice	4.3(a)

Preemptive Acceptance Period	4.3(a)
Preemptive Offer	4.2(b)
Preemptive Offer Notice	4.2(a)
Principal Business	7.15(a)
Prior Shareholders Agreement	Recitals
Proposed Issuance	4.2(a)
Proposed Recipient	4.1(a)
Remaining Shares	3.4(f)
Replacement	7.11
Representatives	9.1
Sale Transaction	3.6(a)(ii)
Series A Investor	Preamble
Series A Investors	Preamble
Series B Investor	Preamble
Series B Investors	Preamble
Series C Investor	Preamble
Series C Investors	Preamble
Shareholders Meeting	5.1
Tag-Along Notice	3.5(a)(ii)
Tag-Along Offeree	3.5(a)(ii)
Tag-Along Right	3.5(a)(i)
Tencent Directors	5.2(a)(i)
Transfer	3.1
Transfer Notice	3.4(b)
Transferee	3.4(b)
Transferring Shareholder	3.4(b)

1.3 Interpretation.

- (a) Directly or Indirectly. The phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements and “direct or indirect” has the correlative meaning.
- (b) Gender and Number. Unless the context otherwise requires, all words (whether gender-specific or gender neutral) shall be deemed to include each of the masculine, feminine and neuter genders, and words importing the singular include the plural and vice versa.
- (c) Headings. Headings are included for convenience only and shall not affect the construction of any provision of this Agreement.
- (d) Include not Limiting. “Include,” “including,” “are inclusive of” and similar expressions are not expressions of limitation and shall be construed as if followed by the words “without limitation”.

- (e) Law. References to “law” or “laws” shall include all applicable laws, regulations, rules and orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.
- (f) Persons. A reference to any “Person” shall, where the context permits, include such person’s executors, administrators, legal representatives and permitted successors and assignors.
- (g) References to Documents. References to this Agreement include the Schedules and Exhibits, which form an integral part hereof. A reference to any Section, Schedule or Exhibit is, unless otherwise specified, to such Section of, or Schedule or Exhibit to this Agreement. The words “hereof,” “hereunder” and “hereto,” and words of like import, unless the context requires otherwise, refer to this Agreement as a whole and not to any particular Section hereof or Schedule or Exhibit hereto. References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time.
- (h) Share Calculations. In calculations of share numbers, references to “**fully diluted basis**” mean that the calculation is to be made assuming that all outstanding options, warrants, other Equity Securities convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible) and Equity Securities which have been reserved for issuance pursuant to the ESOP(s), have been so converted, exercised, exchanged or issued and references to “**non-diluted basis**” mean the calculation is made taking into account Shares then in issue only. Any share calculation that makes reference to a specific date shall be appropriately adjusted to take into account any share split, share consolidation or similar event after such date.
- (i) Statutory References. A reference to a statute or statutory provision includes, to the extent applicable at any relevant time:
 - (i) that statute or statutory provision as from time to time consolidated, modified, re-enacted or replaced by any other statute or statutory provision;
 - (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (iii) any subordinate legislation or regulation made under the relevant statute or statutory provision.
- (j) Time. Except as otherwise provided, (i) for purposes of calculating the length of time from a given day or the day of a given act or event, the relevant period shall be calculated exclusive of that day, and (ii) for all other purposes, any period of time commencing on or from a given day or the day of a given act or event shall include that day. If the day on or by which a payment must be made is not a Business Day, such payment must be made on or by the Business Day immediately following such day.

- (k) Writing. References to writing include any mode of reproducing words in a legible and non-transitory form including emails and faxes.

**SECTION 2
OBLIGATIONS OF THE SHAREHOLDERS**

- 2.1 Shareholder Obligations. Each Shareholder shall comply with the provisions of this Agreement in relation to its investment in the Company and in transacting business with the Company and shall exercise its rights and powers in accordance with and so as to give effect to this Agreement.

**SECTION 3
RESTRICTIONS ON TRANSFER OF SHARES**

- 3.1 Limitation on Transfers. No Shareholder shall sell, give, assign, hypothecate, pledge, encumber, grant a security interest in or otherwise dispose of, or suffer to exist (whether by operation of law or otherwise) any Encumbrance on, any Shares or any right, title or interest therein or thereto (each, a “**Transfer**”), unless such Transfer is made in compliance with this Section 3. Any attempt to Transfer any Shares in violation of the preceding sentence shall be null and void *ab initio*, and the Company shall not register any such Transfer.
- 3.2 Transfers in Compliance with Law. Notwithstanding any other provision of this Agreement, no Transfer may be made pursuant to this Section 3 unless (a) the transferee has agreed in writing to be bound by the terms and conditions of this Agreement pursuant to a Deed of Adherence substantially in the form attached hereto as Exhibit B, (b) the transferee is not a Restricted Person, (c) the Transfer complies in all respects with the other applicable provisions of this Agreement and (d) the Transfer complies in all respects with applicable securities laws.
- 3.3 Permitted Transfers. The following Transfers may be made without compliance with the provisions of Section 3.4 or 3.5:
- (a) any Transfer by a Shareholder to an Affiliate of such Shareholder, provided that the transferee is not a Competitor;
 - (b) any Transfer by a Shareholder that is a natural person to a trust for the benefit of a Relative of such Shareholder, provided that such Shareholder is the sole trustee of such trust;
 - (c) any sale or transfer of Equity Securities to the Company pursuant to a repurchase right or right of first refusal held by the Company in the event of a termination of employment relationship; or

- (d) any sale of Shares on the public market in connection with or following a Qualified IPO.

A Person described with respect to a Shareholder in clause (a) or (b) of this Section 3.3 is hereinafter referred to as a “**Permitted Transferee**” of such Shareholder. If a transferee of Shares pursuant to clause (a) or (b) of this Section 3.3 at any time ceases to be a Permitted Transferee of the transferring Shareholder, the transferee shall Transfer such Shares back to such transferring Shareholder.

3.4 Right of First Refusal of the Shareholders.

- (a) Transfers Subject to Right of First Refusal. If any Shareholder proposes to Transfer any Shares, the other Shareholders (other than Shareholders that acquired Shares through the ESOP(s)) shall have a right of first refusal (the “**First Refusal Right**”) with respect to such Transfer as provided in this Section 3.4. A Shareholder proposing to Transfer any Shares to a third party shall, prior to issuing the Transfer Notice (as defined below), confirm with the Company that the proposed transferee is not a Restricted Person, and if the Company confirms that the proposed transferee is a Restricted Person, the proposed Transfer to such third party may not proceed.
- (b) Transfer Notice. If a Shareholder (the “**Transferring Shareholder**”) either receives a bona fide offer to acquire Shares held by it and the Transferring Shareholder proposes to accept such offer or makes a bona fide offer to sell Shares held by it to a third party and the third party proposes to accept such offer, the Transferring Shareholder shall send a written notice (the “**Transfer Notice**”) to the Company and the other Shareholders (other than Shareholders that acquired Shares through the ESOP(s)) (the “**Offerees**”), which notice shall state (i) the name of the Transferring Shareholder, (ii) the name and address of the proposed transferee (the “**Transferee**”), (iii) the number and the type of Shares to be Transferred (the “**Offered Shares**”), (iv) the amount and form of the proposed consideration for the Transfer and (v) the other material terms and conditions of the proposed Transfer. In the event that the proposed consideration for the Transfer includes consideration other than cash, the Transfer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed Transfer is referred to herein as the “**Offer Price**”.
- (c) Rights of the Offerees. For a period of 20 days after the date of delivery of a Transfer Notice (the “**Offer Period**”), the Offerees shall have the right, exercisable by each Offeree through the delivery of an Acceptance Notice as provided in Section 3.4(d), to purchase up to all of the Offered Shares at a purchase price equal to the Offer Price per Share and upon the other terms and conditions set forth in the Transfer Notice. Each Offeree shall have the right to purchase a number of Offered Shares equal to the total number of Offered Shares multiplied by a fraction, the numerator of which is the number of Shares held by such Offeree and the denominator of which is the number of Shares held by all of the Offerees (such number, an Offeree’s “**First Refusal Allocation**”) in each case (for both the numerator and the denominator) on a fully diluted basis as of the date of the Transfer Notice. In addition, in the event that one or more Offerees declines or is deemed pursuant to Section 3.4(d) to have waived its First Refusal Right (“**Non-Electing Offerees**”), each Offeree electing to exercise its First Refusal Right (an “**Electing Offeree**”) shall have the right as provided in Section 3.4(d) to purchase all or a portion of the Offered Shares constituting the aggregate of the First Refusal Allocations of the Non-Electing Offerees (“**Excess Offered Shares**”). An Offeree may assign to an Affiliate of such Offeree its right to acquire Offered Shares pursuant to this Section 3.4, provided that such Affiliate is not a Competitor.

- (d) Exercise of Rights. The First Refusal Right of each Offeree under Section 3.4(c) shall be exercisable by delivering a written notice of exercise (an “**Acceptance Notice**”) within the Offer Period to the Transferring Shareholder, with a copy to each other Offeree. Each Acceptance Notice shall include a statement of (i) the number of Shares held by such Offeree and (ii) the maximum number of Excess Offered Shares (up to the total number of Offered Shares less such Offeree’s First Refusal Allocation) that such Offeree is willing to purchase, if any. An Acceptance Notice shall be irrevocable and shall constitute a binding agreement by such Offeree to purchase the relevant number of Offered Shares determined in accordance with Sections 3.4(c) and 3.4(e). The failure of an Offeree to give an Acceptance Notice within the Offer Period shall be deemed to be a waiver of such Offeree’s First Refusal Right.
- (e) Allocation of Excess Offered Shares. Each Electing Offeree shall have the right to purchase the number of Excess Offered Shares specified in such Electing Offeree’s Acceptance Notice; provided that if the number of Excess Offered Shares is less than the aggregate number of Excess Offered Shares that the Electing Offerees have indicated a willingness to purchase in their Acceptance Notices, the Excess Offered Shares shall be allocated by the Transferring Shareholder and agreed by all Electing Offerees in a fair manner such that each Electing Offeree shall have a right to purchase (i) not less than the total number of Excess Offered Shares multiplied by a fraction, the numerator of which is the number of Shares held by such Electing Offeree and the denominator of which is the number of Shares held by all Electing Offerees, in each case (for both the numerator and the denominator) on a fully diluted basis as of the date of the Transfer Notice and (ii) not more than the maximum number of Excess Offered Shares specified in such Electing Offeree’s Acceptance Notice.
- (f) Sale to Third Party Purchaser. If the Offerees do not elect in the aggregate to purchase all of the Offered Shares, the Transferring Shareholder may Transfer, subject to Section 3.5, the remaining Offered Shares (the “**Remaining Shares**”) to the Transferee identified in the Transfer Notice on the terms and conditions set forth in the Transfer Notice; provided, however, that (i) such sale is bona fide, (ii) the price for the sale to the Transferee is a price not less than the Offer Price and the sale is otherwise on terms and conditions no less favorable to the Transferring Shareholder than those set forth in the Transfer Notice, (iii) the Transfer is made within four months after the giving of the Transfer Notice and (iv) the proposed transferee is not a Competitor. If such a Transfer does not occur within such four-month period for any reason, the restrictions provided for herein shall again become effective, and no Transfer of Shares may be made by the Transferring Shareholder thereafter without again making an offer to the Offerees in accordance with this Section 3.4.

- (g) Closing. The closing of any purchase of Offered Shares by the Offerees shall be held at the principal office of the Company at 11:00 a.m. local time on the 15th day after the giving of the Acceptance Notice or at such other time and place as the parties to the transaction may agree. The said fifteen (15) day period shall be extended for an additional period of up to forty-five (45) days if necessary to obtain any Regulatory Approvals required for such purchase and payment. At such closing, the Transferring Shareholder shall deliver certificates representing the Offered Shares, accompanied by duly executed instruments of transfer and the Transferring Shareholder's portion of the requisite transfer taxes, if any. Such Offered Shares shall be free and clear of any Encumbrance (other than Encumbrances arising hereunder or attributable to actions by the Offeree acquiring such Offered Shares), and the Transferring Shareholder shall so represent and warrant and shall further represent and warrant that it is the beneficial and record owner of such Offered Shares. Each Offeree purchasing Offered Shares shall deliver at such closing (or on such later date or dates as may be provided in the Transfer Notice with respect to payment of consideration by the proposed Transferee, or as otherwise agreed between the Transferring Shareholder and such Offeree) payment in full of the Offer Price. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Offered Shares to the Offerees. Any stamp duty or transfer taxes or fees payable on the transfer of any Offered Shares shall be borne and paid equally by the Transferring Shareholder and the relevant Offeree.

3.5 Tag-Along Rights.

(a) Tag-Along Rights on Transfer.

- (i) Tag-Along Right. If a Shareholder (other than a Shareholder, who, together with its Affiliates, holds less than 5% of the Shares on a fully-diluted basis) proposes to make a Transfer, provided that an Offeree does not exercise its First Refusal Right, such Offeree shall have the right (the "**Tag-Along Right**") but not the obligation to require the proposed transferee in such Transfer to purchase from such Offeree, for the same consideration per Share and upon the same terms and conditions as to be paid and given to the Transferring Shareholder, up to a maximum number of Remaining Shares multiplied by a fraction, the numerator of which is the number of Shares held by such Offeree and the denominator of which is the aggregate number of Shares held by the Transferring Shareholder and the Offerees exercising the Tag-Along Right, in each case (for both the numerator and the denominator) on a fully diluted basis as of the date of the Transfer Notice. If an Offeree elects to exercise its Tag-Along Right, the number of Shares to be Transferred by the Transferring Shareholder shall be reduced accordingly. For the avoidance of doubt, the Tag-Along Right under this Section 3.5 shall not be applicable to any Transfer proposed by a Shareholder, who together with its Affiliates, holds less than 5% of the Shares on a fully-diluted basis.

- (ii) **Tag-Along Notice.** If an Offeree elects to exercise its Tag-Along Right (the “**Tag-Along Offeree**”), such Offeree shall deliver a written notice (the “**Tag-Along Notice**”) of such election to the Transferring Shareholder within the Offer Period, specifying the number of Shares with respect to which it wishes to sell pursuant to the Tag-Along Right, subject to the maximum number of Shares calculated pursuant to Section 3.5(a). Such notice shall be irrevocable and shall constitute a binding agreement by such Shareholder to Transfer up to such number of Shares on the terms and conditions set forth in the Transfer Notice. The failure of the Tag-Along Offeree to give a Tag-Along Notice within the Offer Period shall be deemed to be a waiver of such Tag-Along Offeree’s Tag Along Right.
 - (iii) **Allocation of Remaining Shares.** Within five (5) Business Days after the expiry of the Offer Period, the Transferring Shareholder shall send a notice to each Tag-Along Offeree specifying (1) the number of Remaining Shares, (2) the identity of each Tag-Along Offeree, (3) the number and type of Shares that each Tag-Along Offeree has requested to sell, and (4) the number and the type of Shares that each Tag-Along Offeree shall sell to the third party.
- (b) **Consummation.** The closing of the sale of Shares pursuant to the Tag-Along Right shall occur simultaneously with the Transfer of Shares by the Transferring Shareholder. Where any Offeree has properly elected to exercise its Tag-Along Right and the proposed Transferee fails to purchase Shares from such Offeree, the Transferring Shareholder shall not make the proposed Transfer, and if purported to be made, such Transfer shall be void.

3.6 **Drag Along Rights.**

- (a) If (i) the holders of more than 50% of the total issued and outstanding Ordinary Shares of the Company (excluding any Shares issued or issuable pursuant to the ESOP(s) or other incentive programs of the Company) and (ii) the holders of at least 70% of the total issued and outstanding Preference Shares (voting as a single class on an as-converted basis) ((i) and (ii), collectively, the “**Dragging Shareholders**”) have jointly approved a Trade Sale at a per share price of no less than US\$6.50 (subject to any appropriate adjustments for any share dividends, share subdivision, combination or other similar recapitalization with respect to the Shares) (such approved Trade Sale, a “**Drag-Along Event**”), the Dragging Shareholders shall have the option, but not the obligation, to issue a written notice to the other Shareholders, and:

- (i) in the case of Drag-Along Event that is a sale of Shares to one or more purchasers (a “**Drag-Along Sale**”), each Shareholder shall sell all its Shares (or in the case of a sale of less than all of the Shares, its Pro Rata Share of the Shares to be sold) to the prospective purchaser or purchasers on the terms and conditions approved by the Dragging Shareholders, and for such purpose each of the other Shareholders shall, within 15 days after receipt of the notice specified above, deliver to the Company the endorsed share certificates and corresponding instruments of transfer, undated and executed in blank, representing all of the Shares held by such Shareholder, and the relevant letter of authority to the Company to dispose of the Shares as appropriate;
 - (ii) in the case of a Drag-Along Event that is (1) a sale of all or substantially all of the Group Companies’ assets or an exclusive licensing of all or substantially all of the Group Companies’ intellectual property or (2) a merger or consolidation or other transaction effecting a sale of the Company or a Controlling interest in the Company, including without limitation by way of a scheme or arrangement or similar business combination (any of (1) and (2), a “**Sale Transaction**”), each other Shareholder shall (x) vote its Shares in favor of such Sale Transaction in the terms approved by the Board, in any vote of the Shareholders on such matter, (y) cause its designated Director(s) on the Board (as applicable) to vote in favor of the Sale Transaction and (z) otherwise take all actions necessary or appropriate to facilitate such Sale Transaction; and
 - (iii) each Shareholder shall waive all rights of appraisal that it, he or she may have under applicable law with respect to the Drag-Along Event.
- (b) The Shareholders selling their Shares in a Drag-Along Sale other than the Dragging Shareholders (together, the “**Drag-Along Shareholders**”) shall agree to make or agree to the same customary representations, warranties, covenants, indemnities and agreements as the Dragging Shareholders so long as they are made severally and not jointly, and the liabilities thereunder are borne on a pro rata basis based on the consideration to be received by each such Shareholder and in any event shall not exceed such Shareholder’s net proceeds from the Drag-Along Sale. Any representation relating specifically to a Dragging Shareholder or Drag-Along Shareholder shall be made only by such relevant Shareholder and any indemnity given with respect to such representation shall be given only by such relevant Shareholder. Each Dragging Shareholder and Drag-Along Shareholder shall be responsible for funding its pro rata share of (i) any escrow arrangements (if any) in connection with the Drag-Along Sale and, subject to the foregoing sentence, for its proportionate share of any withdrawals therefrom, and (ii) any fees, commissions, adjustments to purchase price, expenses and costs in connection with the Drag-Along Sale. No Shareholder or Affiliate of any Shareholder shall have any liability to any other Shareholder or the Company arising from, relating to or in connection with the pursuit, consummation, postponement, abandonment or terms and conditions of any proposed Transfer pursuant to this Section 3.6, except to the extent such Shareholder shall have failed to comply with the provisions of this Section 3.6.

- (c) Solely for purposes of Section 3.6(a)(ii) and in order to secure the performance of each Drag-Along Shareholder's obligations under Section 3.6(a)(ii), each Drag-Along Shareholder hereby irrevocably appoints each other Shareholder that qualifies as a Drag-Along Proxy Holder (as defined below) as the attorney-in-fact and proxy of such Drag-Along Shareholder (with full power of substitution) to vote or provide a written consent with respect to its Shares as described in this Section 3.6(c) if, and only in the event that, such Drag-Along Shareholder fails to vote or provide a written consent with respect to its Shares in accordance with the terms of Section 3.6(a)(ii) (each such Shareholder, a "**Breaching Drag-Along Shareholder**") within three (3) days of a request for such vote or written consent. Upon such failure, the Dragging Shareholders shall have and are hereby irrevocably granted a proxy to vote or provide a written consent with respect to each such Breaching Drag-Along Shareholder's Shares for the purposes of taking the actions required by Section 3.6(a)(ii) (the Dragging Shareholders in such capacity, the "**Drag-Along Proxy Holder**"). Each Shareholder intends this proxy to be, and it shall be, irrevocable and coupled with an interest, and each Drag-Along Shareholder will take such further action and execute such other instruments as may be necessary to effectuate the intent of this proxy and hereby revoke any proxy previously granted by it with respect to the matters set forth in Section 3.6(a)(ii) with respect to the Shares owned by such Shareholder.
- (d) For the avoidance of doubt, Sections 3.4 and 3.5 shall not apply in the event of a Drag-Along Event.
- (e) Notwithstanding the provisions provided in this Section 3, the prior written approval of Bitauto is required if the Trade Sale is to a Company Restricted Person, the prior written approval of Tencent is required if the Trade Sale is to a Tencent Restricted Person, the prior written approval of JD is required if the Trade Sale is to a JD Restricted Person and the prior written approval of Baidu is required if the Trade Sale is to a Baidu Restricted Person.

3.7 Avoidance of Restrictions. The Parties agree that the Transfer restrictions in this Agreement and in the Articles shall not be capable of being avoided by the holding of Shares indirectly through a company or other entity that can itself be sold in order to dispose of an interest in Shares free of such restrictions. Any Transfer or other disposal of any shares (or other interest) resulting in any change in the Control of a Shareholder or of any company (or other entity) having Control over that Shareholder shall be treated as being a Transfer of the Shares held by that Shareholder, and the provisions of this Agreement and the Articles that apply in respect of the Transfer of Shares shall thereupon apply in respect of the Shares so held.

- 3.8 Transfer of Convertible Securities. Any Transfer of Equity Securities exercisable or convertible into or exchangeable for Shares will be deemed for the purposes of this Section 3 to be a Transfer of Shares.
- 3.9 Notice of Transfer. After registering any Transfer of Shares or other Equity Securities on its books, the Company shall promptly send a notice to each Shareholder stating that such Transfer has taken place and setting forth the name of the transferor, the name of the transferee and the number and class of Equity Securities involved.
- 3.10 Termination of Transfer Restrictions. The provisions of this Section 3 shall terminate upon the earlier of (i) the consummation of a Qualified IPO or (ii) the closing of a Trade Sale and shall not apply to the Qualified IPO of the Company.

SECTION 4 PREEMPTIVE RIGHTS

- 4.1 Restrictions.
- (a) Except as provided under Section 4.1(c), the Company shall not issue any securities (including, without limitation, any Equity Securities or any debt or other securities of any kind) of any type or class (“**Issuance Securities**”) to any Person (the “**Proposed Recipient**”) unless the Company has offered each Preferred Shareholder in accordance with the provisions of this Section 4 the right to purchase such Preferred Shareholder’s pro rata share of such Issuance Securities for a per unit consideration, payable solely in cash, equal to the per unit consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions as are offered to the Proposed Recipient. Any Shareholder who is not a Preferred Shareholder shall have no rights under this Section 4.
- (b) For the purposes of this Section 4, a Preferred Shareholder’s pro rata share of Issuance Securities at any time shall be calculated as the product of (i) the number of Issuance Securities and (ii) a fraction, the numerator of which is the total amount of Preference Shares owned by such Preferred Shareholder at such time, and the denominator of which is the total amount of Preference Shares owned by all Preferred Shareholders at such time, in each case (for both the numerator and the denominator) on a fully diluted basis.
- (c) The restrictions set out in Section 4.1(a) shall not apply to (i) any issuance of Ordinary Shares upon the conversion of the Preference Shares, (ii) issuance of Shares pursuant to a Qualified IPO, (iii) issuance of Shares pursuant to the ESOP(s) approved in accordance with this Agreement and the Articles, (iv) issuance of Equity Securities as consideration in connection with a bona fide business acquisition by the Company, whether by merger, consolidation, amalgamation or other business combination transaction, joint venture, sale or exchange of securities or other similar transaction involving the Company or a Group Company, approved in accordance with this Agreement and the Articles, (v) any Equity Securities issued in connection with any share split, share dividend, subdivision, combination, reclassification or other similar event in which all Preference Shares are entitled to participate on a pro rata basis, as approved in accordance with the Articles and (vi) any Series C Preference Shares issued pursuant to the Share Subscription Agreements or the Contribution Agreement.

4.2 Preemptive Offer Notice.

- (a) Not less than twenty (20) days before a proposed issuance of securities other than in connection with an issuance permitted under Section 4.1(c) (a “**Proposed Issuance**”), the Company shall deliver to each Preferred Shareholder a written notice (a “**Preemptive Offer Notice**”) which shall set forth (i) the number, type and terms of such Issuance Securities, (ii) the consideration to be received by the Company in connection with the Proposed Issuance and (iii) a summary of any other material terms and conditions of the Proposed Issuance, including the name of the Proposed Recipient and the proposed issuance date.
- (b) The Company shall, by delivering the Preemptive Offer Notice, offer each Preferred Shareholder the option to acquire all or any portion of its pro rata share of the Issuance Securities (the “**Preemptive Offer**”). Such Preemptive Offer Notice shall also be accompanied by any written offer, if any, from the Proposed Recipient to purchase such Issuance Securities. The Preemptive Offer shall remain open and irrevocable for the periods set forth below (and, to the extent the Preemptive Offer is accepted during such periods, until the consummation of the issuance contemplated by the Preemptive Offer).

4.3 Exercise of Preemptive Rights.

- (a) Each Preferred Shareholder shall have the right and option, for a period of fifteen (15) days after delivery of the Preemptive Offer Notice (the “**Preemptive Acceptance Period**”), to elect to purchase all or any portion of its pro rata share of the Issuance Securities (and any of its Affiliates’ pro rata share of the Issuance Securities not purchased by such Affiliates) at the purchase price and on the terms and conditions stated in the Preemptive Offer Notice. Each Preferred Shareholder may accept the Preemptive Offer by delivering a written notice (the “**Preemptive Acceptance Notice**”) to the Company within the Preemptive Acceptance Period specifying the maximum number of Issuance Securities such Preferred Shareholder will purchase. If any Preferred Shareholder does not exercise its preemptive rights under this Section 4.3 or elects to exercise such rights with respect to less than its pro rata share of the Issuance Securities, any Preferred Shareholder that has elected to exercise its rights with respect to its full pro rata share of the Issuance Securities (a “**Fully Participating Shareholder**”) shall be entitled to purchase from the Company an additional number of Issuance Securities equal to the product of (x) the aggregate number of Excess Securities (defined below) and (y) a fraction, the numerator of which is the total amount of Preference Shares owned by such Fully Participating Shareholder on the date of the Preemptive Offer, and the denominator of which is the total amount of Preference Shares owned by all Fully Participating Shareholders that elect to purchase Excess Securities, in each case (for both the numerator and the denominator) on a fully diluted basis.

For the purposes of this Section 4.3, “**Excess Securities**” means the aggregate number of Issuance Securities not taken up by the Preferred Shareholders pursuant to their pro rata share of the Proposed Issuance.

- (b) All sales of Issuance Securities to the Preferred Shareholders subject to any Preemptive Offer Notice shall be consummated contemporaneously at the offices of the Company on a mutually satisfactory Business Day within twenty (20) Business Days after the expiration of the Preemptive Acceptance Period. The delivery of certificates or other instruments, if any, evidencing such Issuance Securities shall be made by the Company, as applicable, on such date against payment of the purchase price for such Issuance Securities.
- (c) If any Issuance Securities set forth in the Preemptive Offer Notice remain unpurchased or unsubscribed after the Preferred Shareholders have either exercised or waived their rights under this Section 4.3, then the Company may issue all or any portion of such Issuance Securities so offered and not purchased or subscribed, at a price not less than the purchase price, and on terms and conditions not more favorable to the Proposed Recipient than the purchase price, terms and conditions stated in the Preemptive Offer Notice at any time within sixty (60) days after the expiration of the Preemptive Acceptance Period (the “**Issuance Period**”); provided, that in connection with and as a condition to such issuance (solely in the case of any issuance of Shares), each purchaser or recipient of such Shares who is not then a party to this Agreement shall execute and deliver to the Company a signed Deed of Adherence substantially in the form attached hereto as Exhibit B; provided, further, that if such issuance is subject to Regulatory Approval, the Issuance Period shall be extended until the expiration of the fifth (5th) Business Day following the receipt of all such Regulatory Approvals, but in no event later than one hundred and eighty (180) days following the expiration of the Preemptive Acceptance Period. In the event that all of the Issuance Securities is not so issued during the Issuance Period, the right of the Company to issue such unsold Issuance Securities shall expire and the obligations of this Section 4 shall be reinstated and such securities shall not be offered unless first reoffered to the Preferred Shareholders in accordance with this Section 4.
- (d) Any Preferred Shareholder that fails to deliver a Preemptive Acceptance Notice in accordance with Section 4.3(a) shall be deemed to have irrevocably waived any and all rights under this Section 4 with respect to a Preemptive Offer (but not with respect to any future Preemptive Offers). Any sale of securities by the Company without first giving the Preferred Shareholders the rights described in this Section 4 shall be void and of no force and effect.

4.4 Termination of Rights. The Preemptive Rights under this Section 4 shall terminate upon the consummation of a Qualified IPO and shall not apply to the Qualified IPO of the Company.

SECTION 5
CORPORATE GOVERNANCE

- 5.1 General. From and after the date hereof, each Shareholder shall vote its Shares at any regular or special meeting of Shareholders (a “**Shareholders Meeting**”), and shall take all other actions necessary, to give effect to the provisions of this Agreement and to ensure the inclusion in the Articles the rights and privileges of the Shareholders included in this Agreement. In addition, each Shareholder shall vote its Shares at any Shareholders Meeting, upon any matter submitted for action by the Shareholders or with respect to which such Shareholder may vote, in conformity with the specific terms and provisions of this Agreement.
- 5.2 Board of Directors.
- (a) Number and Composition. The number of Directors constituting the entire Board shall initially be eight (8). Each Shareholder shall vote its Shares at any Shareholders Meeting called for the purpose of filling the positions on the Board or in any written consent of Shareholders executed for such purpose to elect, and shall take all other actions necessary to ensure the election to the Board of:
- (i) (1) so long as Tencent and its Affiliates hold in the aggregate at least 20% of the Shares on a fully diluted basis, two (2) nominees designated by Tencent, who initially shall be Juhong Chen and Leiwen Yao, and (2) so long as (x) Tencent and its Affiliate hold in the aggregate at least 10% of the Shares on a fully diluted basis, or (y) Tencent and its Affiliates hold in the aggregate less than 10% of the Shares on a fully diluted basis but neither Tencent nor its Affiliates Transferred any Shares held by Tencent on the date of this Agreement to any Person who is not an Affiliate of Tencent, one (1) nominee designated by Tencent (the “**Tencent Directors**”);
 - (ii) so long as (1) JD and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis or (2) JD and its Affiliates hold in the aggregate less than 10% of the Shares on a fully diluted basis but neither JD nor its Affiliates Transferred any Shares held by JD on the date of this Agreement to any Person who is not an Affiliate of JD, one (1) nominee designated by JD (the “**JD Director**”);
 - (iii) so long as Baidu does not transfer any of its Shares to any third party (other than to its Affiliates), one (1) nominee designated by Baidu (the “**Baidu Director**”); and
 - (iv) (1) so long as Bitauto and its Affiliates hold in the aggregate at least 35% of the Shares on a fully diluted basis, four (4) nominees designated by Bitauto, who initially shall be Mr. Bin Li, Mr. Andy Xuan Zhang and Mr. Sidney Xuande Huang (it being agreed that Mr. Bin Li shall have two (2) votes unless and until one (1) additional nominee is designated by Bitauto and all four (4) nominees designated by Bitauto are appointed), (2) so long as Bitauto and its Affiliates hold in the aggregate at least 30% of the Shares on a fully diluted basis, three (3) nominees designated by Bitauto, (3) so long as Bitauto and its Affiliates hold in the aggregate at least 20% of the Shares on a fully diluted basis, two (2) nominees designated by Bitauto, and (4) so long as Bitauto and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis, one (1) nominee designated by Bitauto (the “**Bitauto Directors**”).

(b) Removal and Replacement of Directors.

- (i) A Director shall be removed from the Board, with or without cause, upon, and only upon, written notice to the Company by the Shareholder who appointed him, unless such Director resigns voluntarily or the term of his service expires, in which case the Shareholder entitled to appoint such director shall be entitled to nominate a replacement to be appointed by the Board to fill the vacancy thus created.
- (ii) Directors may only be appointed to and removed from the Board by the relevant Shareholders in accordance with this Agreement and the Articles.

- (c) Chairman of the Board. The Chairman of the Board shall be selected from among the Directors by a majority vote of the Directors. The Chairman shall have one vote in his capacity as a Director and shall not have a casting vote. Notwithstanding any provision contained in this Agreement or the Articles, so long as (i) Bitauto and its Affiliates hold in the aggregate at least 35% of the Shares on a fully diluted basis and (ii) no Shareholder (other than Bitauto and its Affiliates) holds at least 30% of the Shares on a fully diluted basis, (x) each Shareholder shall cause the Directors designated by such Shareholder to select one Bitauto Director as the Chairman of the Board, who initially shall be Mr. Andy Xuan Zhang, and (y) the Chairman of the Board so selected shall have two (2) votes.

5.3 Board Meetings.

- (a) Frequency and Location. Meetings of the Board shall take place at least once every quarter. Meetings shall be held in a location approved by a majority of the Directors.
- (b) Notice. A meeting may be called by the Chairman of the Board or any three Directors giving notice in writing to the Company Secretary specifying the date, time and agenda for such meeting. The Company Secretary shall upon receipt of such notice give a copy of such notice to all Directors of such meeting, accompanied by a written agenda specifying the business of such meeting and copies of all papers relevant for such meeting. Not less than seven (7) days' notice shall be given to all Directors; provided, however, that such notice period may be reduced with the written consent of all of the Directors.

- (c) Quorum. All meetings of the Board shall require a quorum of at least three (3) incumbent Directors, including one Tencent Director, the JD Director and one Bitauto Director. If such a quorum is not present within one hour from the time appointed for the meeting, the meeting shall adjourn to such place and time as those Directors who did attend shall decide or, if no such decision is reached, at the same place and time seven (7) days later, at which meeting any three (3) Directors present shall constitute a valid quorum, provided that notice of such adjourned meeting shall have been delivered to all Directors at least five (5) days prior to the date of such adjourned meeting.
- (d) Voting. At any Board meeting, each Director may exercise one vote (other than as set out pursuant to Sections 5.2(a)(iv) and 5.2(c)). No Director shall have a casting vote in the event of a tie. Any Director may, by written notice to the company secretary of the Company, authorize another Person to attend and vote by proxy for such Director at any Board meeting. Subject to Section 5.4, the adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly constituted meeting of the Board. The Board shall not at any meeting adopt any resolution covering any matter that is not specified on the agenda for such meeting unless all Directors are present at such meeting and vote in favor of such resolution.
- (e) Participation. Directors may participate in Board meetings by telephone or video conference, and such participation shall constitute presence for purposes of the quorum provisions of Section 5.3(c).
- (f) Expenses. The reasonable costs of attendance of Directors at Board meetings shall be borne by the Company.
- (g) Action by Written Consent. Any action that may be taken by the Directors at a meeting may be taken by a written resolution signed by all of the Directors.

5.4 Board Reserved Matters. Subject to any additional requirements imposed by the Act, except as contemplated under this Agreement or the Share Subscription Agreements, the Contribution Agreement or the Business Cooperation Agreement, the Company shall ensure that no Group Company shall, without the affirmative consent or approval by the majority of the Directors (which majority shall include (i) for so long as Tencent has the right to appoint one or more Tencent Directors, one Tencent Director (ii) for so long as JD has the right to appoint one JD Director, one JD Director, and (iii) for so long as Bitauto has the right to appoint three (3) or more Bitauto Directors, two Bitauto Directors and, for so long as Bitauto has the right to appoint less than three (3) Bitauto Directors, one Bitauto Director), take, permit to occur, approve, authorize or agree or commit to do any of the following actions, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation or otherwise:

- (a) during any fiscal year starting from the second year of business operation of the Group, other than in the ordinary course of business, purchase or lease of any business and/or assets valued in excess of (i) 10% of the Group's total assets at the end of the preceding fiscal year individually or (ii) 20% of the Group's total assets at the end of the preceding fiscal year in the aggregate for the Group, provided that in circumstances where the threshold will materially adversely affect business operations, the threshold may be reviewed by the Board;
- (b) during any fiscal year starting from the second year of business operation of the Group, other than in the ordinary course of business, investment in any other Person in excess of (i) 10% of the Group's total assets at the end of preceding fiscal year individually or (ii) 20% of the Group's total assets at the end of preceding fiscal year in the aggregate for the Group, provided that in circumstances where the threshold will materially adversely affect business operations, the threshold may be reviewed by the Board;
- (c) appointment or removal of auditors, or the change of the term of the fiscal year;
- (d) any fundamental change to the business scope or nature of the business of the Group, or cessation of any business line which is critical to the Business;
- (e) adoption of or change to, a significant tax or accounting practice or policy (other than the changing of the Company's accounting principles from one set of Accounting Principles to another; provided, however, that such change and the reason for such change shall still be submitted to the Board and subject to the approval by the simple majority votes of Directors voting on the matter) or any internal financial controls and authorization policies, or the making of any significant tax or accounting election; or
- (f) any Related Party Transaction, (i) which is either not on arm's length terms or (ii) which is on arm's length terms and (1) which is in excess of 5% of the Group's net assets (taking any equity investment in the Company in the form of preferential securities into account) at the end of the preceding fiscal year on an individual basis, or (2) which, together with all other Related Party Transactions in the same fiscal year, results in a transaction value in excess of 20% of the annual budgeted revenue of the Company of such fiscal year.

5.5 Board Committees.

- (a) The Board may establish committees, such as compensation and nomination committee and audit committee, as it may determine; provided, subject to the Act, applicable laws and the Articles, any committee formed by the Board shall include at least (a) one (1) Tencent Director, (b) one (1) Bitauto Director (c) one (1) JD Director and (d) the CEO for so long as the CEO serves as a Director.
- (b) The Company shall cause risk management reports in relation to the Company to be provided to Board on a quarterly basis unless and until the Board in its own discretion determines to establish a risk management committee. Such risk management reports shall be prepared in accordance with the requirements under applicable Law and in a form satisfactory to the Board.

- 5.6 Rights and Obligations of the Shareholders and the Company in Relation to the Group Companies. The Company shall cause the board of directors of each other Group Company, to the extent permitted by applicable law, to be the same size as the Board and nominated in the same manner as set out in Section 5.2(a), provided that any Shareholder having the right to nominate the director of a Group Company pursuant to this Section 5.6 may, from time to time in its sole discretion, decline to designate such director. The right of nomination by each Shareholder shall also carry the right to remove or replace the director so nominated, and if a nominating Shareholder ceases to be a Shareholder, such Shareholder shall immediately cause the directors on the board of each Group Company appointed by such Shareholder to resign or be removed. The Shareholders shall cause their nominees on the boards of directors of the Group Companies to vote in the manner determined by the Board and shall cause any director who fails to vote in such manner to be removed. The Company shall cause the quorum and voting arrangements and other procedures with respect to the boards of directors of the Group Companies, as well as other corporate governance matters, to the extent permitted by applicable law, to be the same as those set forth in this Section 5.
- 5.7 Incentive Plan. Upon the date hereof, the Company shall reserve 53,399,240 Ordinary Shares of the Company for the ESOP(s).
- 5.8 Termination of Board Nomination Right. The right of the Shareholders to nominate or appoint a Person as Director to the Board provided in Section 5.2 shall terminate upon the consummation of a Qualified IPO only if such termination is required under the applicable laws, regulations, rules, decisions, orders, guidance, policies or anything equivalent to the foregoing (including those promulgated or issued by the relevant government or regulatory authorities or the stock exchange governing the listing of securities of the Company). The Company, Tencent, JD, Bitauto and Baidu shall negotiate in good faith the composition of the Board following the consummation of a Qualified IPO such that the Board composition will be in compliance with the applicable laws and securities exchange rules, including, without limitation, in the event of a Qualified IPO on the Stock Exchange of Hong Kong, the requirement that at least one-third of the members of the Board shall be independent directors with a minimum of three independent directors on the Board.
- 5.9 Share Votes. Each Preference Share shall carry such number of votes as is equal to the number of votes of Ordinary Shares then issuable upon the conversion of such Preference Share into Ordinary Shares. The Preferred Shareholders and the Ordinary Shareholders shall vote together and not as a separate class unless otherwise required herein or in the Articles or by applicable laws.

- 5.10 Shareholders Reserved Matters. Subject to any additional requirements imposed by the Act, except as contemplated under this Agreement, the Share Subscription Agreements, the Contribution Agreement or the Business Cooperation Agreement, the Company and the Parties shall ensure that no Group Company shall, without the affirmative written consent or approval by each of Tencent, JD, and Bitauto (for so long as (1) such Shareholder and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis or (2) such Shareholder and its Affiliates hold in the aggregate less than 10% of the Shares on a fully diluted basis but neither such Shareholder nor its Affiliates Transferred any Shares held by such Shareholder on the date of this Agreement to any Person who is not an Affiliate of such Shareholder), take, permit to occur, approve, authorize or agree or commit to do any of the following actions, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation or otherwise; provided that written consent from the individuals designated by any Shareholder to serve on the Board, with any such individual acting in his or her capacity as a representative of such Shareholder, and not in his or her capacity as a Director of the Company, shall be deemed to constitute consent of such Shareholder:
- (a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, any Preference Shares;
 - (b) any action that authorizes, creates, issues, increases or decreases the authorized number of (including through altering, reorganizing, reclassifying or otherwise recapitalizing any existing Equity Securities) any Equity Securities except for: (i) Ordinary Shares issuable upon conversion of Preference Shares or (ii) Ordinary Shares or other securities issued under the ESOP(s) with the approval of the Board;
 - (c) any purchase, repurchase, redemption or retirement of any Equity Securities, other than repurchases pursuant to share restriction agreements approved by the Board upon termination of a Director, employee or consultant or any redemption of any Preference Shares in accordance with their terms, which terms shall have been approved by each of Tencent, JD, and Bitauto (for so long as (1) such Shareholder and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis or (2) such Shareholder and its Affiliates hold in the aggregate less than 10% of the Shares on a fully diluted basis but neither such Shareholder nor its Affiliates Transferred any Shares held by such Shareholder on the date of this Agreement to any Person who is not an Affiliate of such Shareholder);
 - (d) any amendment or modification to or waiver under any of the Articles or any other charter documents of any Group Company;
 - (e) adoption, amendment or termination of the ESOP(s) or any other equity incentive, purchase or participation plan for the benefit of employees, officers, directors, contractors, advisors or consultants;
 - (f) starting from the second year of business operation of the Group, other than in the ordinary course of business, any sale, transfer, or other disposal of, or the incurrence of any lien on, any substantial part of its assets valued in excess of 20% of the Group's total assets at the end of the preceding fiscal year, provided that in circumstances where the threshold will materially adversely affect business operations, the threshold may be reviewed by the Board;

- (g) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization, or other arrangement under law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;
- (h) any change in the equity ownership of the VIE Entity of the Company or any amendment or modification to, waiver under any of the Control Documents;
- (i) any merger, amalgamation, consolidation, division, scheme of arrangement or any other type of corporate restructuring;
- (j) any divestiture or sale of an interest in a Subsidiary, partnership or joint venture; or
- (k) any Trade Sale.

5.11 Termination of Right to Approve Reserved Matters. The rights to approve the reserved matters under Sections 5.4 and 5.10 shall terminate upon the consummation of a Qualified IPO.

**SECTION 6
REGISTRATION RIGHTS**

6.1 Registration Rights. In the event a class of Equity Securities of the Company are listed on NASDAQ or the New York Stock Exchange, the Preferred Shareholders shall be entitled to the registration rights set out in Exhibit A.

**SECTION 7
COVENANTS**

7.1 Mutual Cooperation. The Leading Investors shall, and shall cause their Affiliates to, use their commercially reasonable efforts to cooperate with each other to facilitate the further development of the Business.

7.2 Inspection Rights. For so long as a Shareholder and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis, such Shareholder and its authorized representatives shall have access, at all reasonable times during normal business hours and with prior written notice, over the facilities and financial books and records of the Group Companies and the right to make extracts and copies of the financial books and records so inspected at its own expense and to discuss the business, operations and conditions of the Group Companies with the directors, officers, employees, accountants, legal counsels, investment bankers and other advisors of the relevant Group Companies, provided that the onsite inspection shall not unreasonably affect the normal operation of the Group Companies.

7.3 Information Rights.

- (a) For so long as a Shareholder and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis, the Company shall provide to such Shareholder:
- (i) audited consolidated annual financial statements, audited by a Big-4 accounting firm or any other accounting firm appointed by the Board pursuant to Section 5.4, within ninety (90) days after the end of each Financial Year or, for so long as the Company is required by the rules of the relevant stock exchange to be included in the consolidated financial statements of the Key Holder, on the date the Key Holder publicly discloses its audited consolidated annual financial statements, whichever is later;
 - (ii) unaudited consolidated quarterly financial statements, which shall include a breakdown of revenue, costs and expenses, within forty-five (45) days after the end of each fiscal quarter or, for so long as the Company is required by the rules of the relevant stock exchange to be included in the consolidated financial statements of the Key Holder, on the date the Key Holder publicly discloses its unaudited consolidated quarterly financial statements for the corresponding quarter, whichever is later;
 - (iii) copies of all documents or other information sent to other Shareholders; and
 - (iv) copies of other documents and information as such Shareholder may reasonably request.
- (b) All financial statements delivered by the Company pursuant to Sections 7.3(a)(i) and 7.3(a)(ii) shall be prepared in accordance with Accounting Principles.
- (c) At the request of any Shareholder who is entitled to the information rights as provided under this Section 7.3, the Company shall use its commercially reasonable efforts to provide monthly operating data within 15 days after the end of each month, such operating data to include key operating metrics and other data such Shareholder may reasonably request.
- (d) As soon as possible within fifteen (15) Business Days after each anniversary of the Financial Services Lead Year and the Used Automobile Lead Year (as such terms are defined in the Business Cooperation Agreement), the Key Holder shall provide to the Board a report setting out, in reasonable detail, the numbers of the Financial Services Leads or the Used Automobile Leads (as such terms are defined in the Business Cooperation Agreement), as applicable, provided to the Company pursuant to the Business Cooperation Agreement in the previous Financial Services Lead Year and Used Automobile Lead Year, as applicable. At the request of any Shareholder who is entitled to the information rights under this Section 7.3, the Company shall also provide a copy to such requesting Shareholder.

- 7.4 Termination of Information and Inspection Rights. The information and inspection Rights described in Sections 7.2 and 7.3 shall terminate upon the consummation of a Qualified IPO.
- 7.5 Books and Records. The Company shall, and shall cause the other Group Companies to, keep proper, complete and accurate books of account in its functional currency and, in the case of each Group Company, the currency of the jurisdiction in which such Group Company is organized, in each case in accordance with (a) Accounting Principles and (b) applicable laws. The Company shall have its accounts and those of each Group Company audited annually in accordance with such standards by a Big-4 accounting firm or any other accounting firm appointed by the Board pursuant to Section 5.4.
- 7.6 Budgets and Business Plans. The Company shall prepare proposed annual operating and capital budgets and business plans for the Company, which shall be submitted to all Directors no later than sixty (60) days after commencement of each Financial Year. The Board shall adopt budgets and business plans for the Company within seventy-five (75) days after the commencement of the relevant Financial Year.
- 7.7 Report on Related Party Transactions with Bitauto. At any time prior to the consummation of a Qualified IPO, the Company shall provide a written report on a quarterly basis to the Board of all Related Party Transactions between any Group Company and Bitauto (except any transactions existing or having been approved as of the date hereof) in excess of RMB100,000,000 in a single transaction or a series of related transactions.
- 7.8 Compliance Covenants.
- (a) The Company shall ensure that the Group Companies shall (i) conduct their respective business in compliance in all material respects with all applicable laws and (ii) obtain, make and maintain in effect, all consents, permits, approvals, authorizations, registrations and filings from the relevant Governmental Authority or other Persons required in respect of the due and proper establishment and operations of each Group Company as now conducted in accordance with applicable laws and regulations.
 - (b) Each Shareholder and the Company agrees that neither the Company, nor any Company Representative shall, directly or indirectly, make or authorize any offer, gift, payment, or transfer, or promise of, any money or anything else of value, or provide any benefit, to any Government Official, Governmental Entity, or other Person that would result in a breach of any applicable Anticorruption Law, by the Company or such Company Representative.
- 7.9 Cooperation. Each Shareholder and the Company agrees to cooperate and provide all reasonable information and assistance requested upon an investigation or inquiry by a Governmental Entity directed to the Company.

7.10 Control Documents. The Company shall ensure that each party to the relevant Control Documents perform its/his/her respective obligations thereunder to the fullest extent, carry out the terms and the intent of the Control Documents (including any amendments hereto) and ensure each Control Document is valid and binding, in full force and effect and enforceable in accordance with its terms. Each of the Leading Investors shall ensure that the Nominee Shareholder nominated by it shall perform its/his/her respective obligations thereunder to the fullest extent and carry out the terms and the intent of the Control Documents (including any amendments hereto). Any termination, or modification or waiver of, or amendment to any Control Documents shall require the approval of the Shareholders in accordance with Section 5.10 and the Articles. If any of the Control Documents becomes illegal, void or unenforceable under any applicable laws after the date hereof, the Group Companies shall use their best efforts to devise a feasible alternative legal structure reasonably satisfactory to the holders of at least 70% of the then issued and outstanding Preference Shares (voting as a single class on an as-converted basis) which gives effect to the intentions of the parties in each Control Document and the economic arrangement thereunder as closely as possible and maintains the economic interests of the Shareholders and consolidates the financial results of the Group Companies into the Company's financial statements.

7.11 Transfer of Equity Interest in the VIE Entity of the Company. If all of Tencent, JD, and Baidu appoint their respective Nominee Shareholders, the percentage of Equity Securities held by each of the Nominee Shareholders for Tencent, JD and Baidu in the VIE Entity of the Company shall be approximately equal to the percentage of Shares such Preferred Shareholder holds in the Company on a fully diluted basis and the Nominee Shareholder for Bitauto shall hold the remaining percentage of Equity Securities in the VIE of the Company. In the event that there is any material discrepancy between the foregoing percentages as a result of the change to the percentage of Shares the relevant Preferred Shareholder holds in the Company, the Shareholders who appointed the Nominee Shareholders may, and upon request by the Company, the Shareholders who appointed the Nominee Shareholders shall, discuss in good faith and adjust the percentage of Equity Securities held by the relevant Preferred Shareholder's Nominee Shareholder in the VIE Entity of the Company, provided such adjustment will not result in any material adverse effect on any Party or Group Company and such adjustment shall not be made more than once in any given calendar year.

In the event that a Leading Investor wishes to appoint a Nominee Shareholder (the "**New Appointment**") or replace its existing Nominee Shareholder with a new Nominee Shareholder (the "**Replacement**") to hold Equity Securities in the VIE Entity of the Company, the Company shall procure the VIE Entity of the Company to, upon the request of the Leading Investor, as applicable, take all necessary actions to implement the New Appointment or the Replacement, including executing and delivering all resolutions, corporate documents, consents, waivers and other related instruments and documentation and taking all such further actions to the satisfaction of such Leading Investor, as applicable, necessary to approve the New Appointment or the Replacement and the transfer of Equity Securities in the VIE Entity of the Company held by such Leading Investor's existing Nominee Shareholder to its new Nominee Shareholder, provided such Replacement will not result in any material adverse effect on any Party or Group Company and such Replacement shall not be made more than once in any given calendar year.

Notwithstanding anything to the contrary herein, to the extent any of the Leading Investors designates or changes one Nominee Shareholder to hold an equity interest in the VIE Entity of the Company, such Preferred Shareholder shall bear all costs and expenses, including, but not limited to, taxes, filing fees, registration fees and other transaction expenses, incurred in connection with appointing such Nominee Shareholder or adjusting such Nominee Shareholder's equity interest in the VIE Entity of the Company in accordance with the provisions hereof.

- 7.12 Protection of Intellectual Property. The Group Companies shall take all reasonable steps to protect their respective material intellectual property, including without limitation (x) registering their material respective trademarks, brand names, domain names and copyrights, and (y) requiring each director and consultant (if applicable) of each Group Company to enter into an employment agreement or a consulting agreement which includes the provisions in respect of confidentiality, non-compete and work product ownership right assignment provisions in a form reasonably satisfactory to the Preferred Shareholders. At any time prior to consummation of a Qualified IPO, the Company shall ensure that the Group Companies shall not make any material changes to such employment agreement or the consulting agreement without the prior written consent of each of Tencent, JD, and Bitauto (for so long as (1) such Shareholder and its Affiliates hold in the aggregate at least 10% of the Shares on a fully diluted basis or (2) such Shareholder and its Affiliates hold in the aggregate less than 10% of the Shares on a fully diluted basis but neither such Shareholder nor its Affiliates Transferred any Shares held by such Shareholder on the date of this Agreement to any Person who is not an Affiliate of such Shareholder).
- 7.13 Control of Subsidiaries. The Company shall institute and keep in place such arrangements as are reasonably satisfactory to the Preferred Shareholders such that the Company (a) will at all times Control the operations of each other Group Company, and (b) will at all times be permitted to properly consolidate the financial results for each other Group Company (including without limitation the VIE Entities of the Company) in the consolidated financial statements for the Company prepared under Accounting Principles.
- 7.14 Undertaking on Bitauto Consolidation.
- (a) Each Party hereby acknowledges and undertakes that, notwithstanding any provision contained in this Agreement or the Articles, so long as (i) Bitauto and its Affiliates hold in the aggregate at least 35% of the Shares on a fully diluted basis and (ii) no Shareholder (other than Bitauto and its Affiliates) holds at least 30% of the Shares on a fully diluted basis, Bitauto shall be entitled to consolidate the financial results of the Group Companies into Bitauto's financial statements, and each Party shall and shall procure that its Affiliates will, take all actions which are commercially reasonable to ensure that the financial results of the Group Companies will be consolidated into Bitauto's financial statements.

- (b) Each Party agrees that, notwithstanding any provision contained in this Agreement or the Articles, in the event that (i) Bitauto and its Affiliates hold in the aggregate less than 35% of the Shares on a fully diluted basis or (ii) any Shareholder (other than Bitauto and its Affiliates) holds 30% or more of the Shares on a fully diluted basis, (x) for so long as Mr. Andy Xuan Zhang remains an incumbent officer or consultant of the Company, he shall serve as the CEO, and (y) to the extent that Mr. Andy Xuan Zhang is not a Bitauto Director, each Party shall take all actions which are commercially reasonable to ensure that Mr. Andy Xuan Zhang shall be appointed or nominated as a Director.

7.15 Non-competition.

- (a) For the purpose of this section, (i) “**Principal Business**” shall mean various financing, leasing and/or insurance related services and products and/or various used automobile related businesses, (ii) “**Competing Business**” shall mean any business which is in direct competition with the Principal Business and (iii) “**Competitor**” shall mean any Person or Affiliates of such Person whose primary business is in direct competition with the Principal Business.
- (b) Unless otherwise agreed by the Company, following the date hereof until (i) the Key Holder and its Subsidiaries hold less than 10% equity interest in the Company on an as converted and fully diluted basis, and (ii) the Key Holder is no longer entitled to nominate directors of the Company under this Agreement or the Articles, the Key Holder shall not, and shall cause its Subsidiaries to not, directly or indirectly (including through any Subsidiary), invest in, own, manage, operate, or Control any Competitor, other than through the Group Companies, *provided, however*, that the restrictions contained in this paragraph (b) shall not apply to a proposed joint venture in the PRC in the business of insurance technology between the Key Holder and a PRC insurance company or the Key Holder’s investment in any insurance company in the PRC with less than 50% shareholding or voting power.
- (c) Subject to paragraph (b) and unless otherwise agreed by the Company, in the event that an entity (the “**Investee**”) that the Key Holder or its Subsidiary has invested in, owns, manages, operates, or Controls proposes to participate, engage or invest in any Competing Business after the date hereof, for as long as the Key Holder or its Subsidiary has a board seat in such Investee, the Key Holder shall, or shall cause its Subsidiary, to procure its nominated director(s) to vote against the proposal, provided that such vote will not breach the director’s fiduciary duty to the Investee. Without prejudice to the foregoing, if such Investee participates, engages or invests in any Competing Business, and the Key Holder or its Subsidiary decides to sell its shares in the Investee, the Company shall have the first right of refusal to purchase all the shares held by the Key Holder or its Subsidiary in the Investee on the same terms as those that will be offered to or by other potential purchasers, and the Key Holder or its Subsidiary may not sell the shares held in the Investee to any person unless the Company has declined to purchase such sale shares at the price proposed to be paid by the third party purchaser.

- (d) If the Key Holder or its Subsidiary holds less than 10% of the equity interests in the Investee on an as converted and fully diluted basis and does not have a seat on the board of directors of the Investee, the Key Holder or its Subsidiary shall not be subject to the non-compete obligations provided in paragraphs (b) and (c).
- (e) The Key Holder acknowledges and agrees that the agreements and covenants contained in this Section 7.15 are reasonable in scope and duration and necessary to protect and preserve the Company's legitimate business interests and to prevent any unfair advantage. The Key Holder further acknowledges and agrees that if it breaches any provision of this Section 7.15, any remedy at law may be inadequate and insufficient and may cause the Company irreparable harm and that the Company, in addition to seeking monetary damages in connection with such breach, shall be entitled to specific performance and injunctive and other equitable relief to prevent or restrain a breach of this Section 7.15 or to enforce the provisions hereof without the requirement of posting bond or other security. If a final judgment of a Governmental Authority determines that any term or provision contained in this Section 7.15 is invalid or unenforceable, then the Parties agree that the court or tribunal will have the power to reduce the scope, duration or geographic area of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. This Section 7.15 will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

7.16 Prior Agreements. Each Party agrees that each of Section 5.1 (*Noncompetition*) and Section 5.18 (Related Party Transactions) of the Share Subscription Agreement, dated August 1, 2016, by and among the Company, the Key Holder and certain investors named therein and Section 4.12 (*Noncompetition*) of the Share Subscription Agreement, dated January 9, 2015, by and among the Company, the Key Holder and certain investors named therein, is hereby unconditionally and irrevocably terminated and is of no further force or effect.

7.17 Non-Competition of the Key Employees. The Company shall use its best commercial efforts to procure that each of the Key Employees shall comply with, and the Company shall enforce, and shall procure that the relevant Group Company shall enforce, the non-competition undertaking in the employment agreement and, if applicable, in any non-competition agreement entered into on or about the date hereof (or as such agreements are amended or restated from time to time) between such Key Employee and any of the Group Companies.

**SECTION 8
REPRESENTATIONS AND WARRANTIES**

8.1 Representations and Warranties.

Each Party represents to other Parties that:

- (a) such Party has the full power and authority to enter into, execute and deliver this Agreement and to perform the transactions contemplated hereby and, if such Party is not a natural person, such Party is duly incorporated or organized and existing under the laws of the jurisdiction of its incorporation or organization;
- (b) the execution and delivery by such Party of this Agreement and the performance by such Party of the transactions contemplated hereby have been duly authorized by all necessary corporate or other action of such Party;
- (c) assuming the due authorization, execution and delivery hereof by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- (d) the execution, delivery and performance of this Agreement by such Party and the consummation of the transactions contemplated hereby will not, (i) violate any provision of the constitutional, organizational or governance documents of such Party to the extent relevant, (ii) require such Party to obtain any consent, approval or action of, or make any filing with or give any notice to, any government authority in such Party's country of organization or any other Person pursuant to any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, other than any such consent, approval, action or filing that has already been duly obtained or made, or that is permitted to be, and will be, obtained or made following the date hereof, or that is otherwise required hereunder, (iii) conflict with or result in any material breach or violation of any of the terms and conditions of, or constitute (or with notice or lapse of time or both constitute) a material default under, any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, (iv) violate any law applicable to such Party that would materially and adversely affect such Party's ability to execute, deliver or perform its obligations hereunder.

**SECTION 9
CONFIDENTIALITY**

- 9.1 General Obligation. Each Party shall keep confidential (a) any information concerning the organization, business, technology, intellectual property, safety records, investment, finance, transactions or affairs of any Party or its Affiliates or any of their respective directors, officers, employees or agents (collectively, the "**Representatives**") (whether conveyed in written, oral or in any other form and whether such information is furnished before, on or after the date of this Agreement); (b) the terms of this Agreement or any of the other documents entered into in connection with the Preferred Shareholders' investment in the Company, including the documents referred to in this Agreement, or the identities of the Parties and their respective Affiliates; and (c) any other information or materials prepared by a Party or its Representatives that contains or otherwise reflects, or is generated from, Confidential Information (collectively, the "**Confidential Information**"). Confidential Information shall not include any information that is (w) previously known on a non-confidential basis by the receiving Party, (x) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates' officers, directors or employees, (y) received from a party other than a Party so long as such other party was not, to the knowledge of the receiving Party, subject to a duty of confidentiality to any Party or (z) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party. Notwithstanding anything to the contrary, this Section 9.1 shall not affect the Preferred Shareholders' or their Affiliates' normal accounting or tax reporting in respect of their investment in the Company as required by applicable Law, and Accounting Principles as applicable.

- 9.2 Exemptions. Notwithstanding any other provisions in this Section 9, if any Party believes in good faith that any announcement or notice must be prepared or published pursuant to applicable laws (including any rules or regulations of any securities exchange or valid legal process) or information is otherwise required to be disclosed to any Governmental Authority, such Party may, in accordance with its understanding of the applicable Laws, make the required disclosure in the manner it deems in compliance with the requirements of applicable Laws; provided that the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, provide the Preferred Shareholders with prompt notice of such requirement and cooperate with the Preferred Shareholders at such Preferred Shareholders' request and at the requesting Preferred Shareholders' cost, to enable such other Parties to seek an appropriate protection order or remedy. In addition, each Party may disclose, after giving prior notice to the other Parties to the extent practicable under the circumstances and subject to any practicable arrangements to protect confidentiality, Confidential Information to the extent required under judicial or regulatory process or in connection with any judicial process regarding any legal action, suit or proceeding arising out of or relating to this Agreement; provided that the Party who is required to make such disclosure shall, to the extent permitted by Law and so far as it is practicable, at the Preferred Shareholders' request and at the requesting Preferred Shareholders' cost, cooperate with the other Parties to enable such other Parties to seek an appropriate protection order or remedy.
- 9.3 Disclosure to Affiliates. Each Party may disclose the Confidential Information only to its Affiliates and its and its Affiliates' officers, directors, employees, agents and Representatives on a need-to-know basis in the performance of this Agreement; provided that such Party shall ensure such Persons strictly abide by the confidentiality obligations hereunder.
- 9.4 Survival of Obligations. The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to the other Party.

SECTION 10
TERM AND TERMINATION

- 10.1 Effective Date; Termination. This Agreement shall become effective upon the execution hereof by all of the Parties and shall continue in effect until the earlier to occur of (a) a Qualified IPO (except that Section 5.2 shall only terminate in accordance with Section 5.8 and Section 6 shall survive a Qualified IPO), (b) the date on which the Company goes into liquidation or dissolution or any property or assets of the Company are placed in the hands of a receiver, trust custodian or liquidator or a winding up order in respect of the Company is issued, (c) any date agreed upon in writing by the holders of at least 70% of the then issued and outstanding Preference Shares voting as a single class on an as-converted basis and the Company and (d) with respect to a Shareholder, upon such Shareholder ceasing to own any Equity Securities.
- 10.2 Consequences of Termination. If this Agreement is terminated pursuant to Section 10.1 (other than Section 10.1(d)), this Agreement shall become null and void and of no further force and effect, except that the Parties shall continue to be bound by the provisions of this Section 10 (*Term And Termination*), Section 9 (*Confidentiality*), Section 12 (*Miscellaneous*) and Section 13 (*Governing Law And Dispute Resolution*). If this Agreement is terminated pursuant to Section 10.1(d), this Agreement shall become of no further force and effect upon the such Shareholder, except that such Shareholder shall continue to be bound by the provisions of this Section 10 (*Term And Termination*), Section 9 (*Confidentiality*), Section 12 (*Miscellaneous*) and Section 13 (*Governing Law And Dispute Resolution*). Nothing in this Section 10.2 shall be deemed to release any Party from any liability for any breach of this Agreement prior to the effective date of such termination.

SECTION 11
NOTICES

- 11.1 Notice Addresses and Method of Delivery. All notices, requests, demands, consents and other communications (“**Notices**”) required to be given by any Party to any other Party shall be in writing and delivered by hand delivery express courier or facsimile to the applicable Party at the address or facsimile number as shown on SCHEDULE 6, or, as to each Party, at such other address or number as shall be designated by such Party in a notice to the other Party containing the new information in the same format as the information set out above and complying as to delivery with the terms of this Section 11.1. Notwithstanding the foregoing, any notice involving non-performance or termination shall be sent by hand delivery or by prepaid express courier.
- 11.2 Time of Delivery. Any Notice delivered:
- (a) by hand delivery shall be deemed to have been delivered on the date of actual delivery;
 - (b) by prepaid express courier shall be deemed to have been delivered upon delivery by the courier; and

- (c) by facsimile shall be deemed to have been delivered on the day the transmission is sent (as long as the sender has a confirmation report specifying a facsimile, a facsimile number of the recipient, the number of pages sent and the date of the transmission).

11.3 Proof of Delivery. In proving delivery of any Notice it shall be sufficient:

- (a) in the case of delivery by hand delivery or courier, to prove that the Notice was properly addressed and delivered; and
- (b) in the case of delivery by facsimile transmission, to prove that the transmission was confirmed as sent by the originating machine to the facsimile number of the recipient, on the date specified.

SECTION 12 MISCELLANEOUS

12.1 Legend. Each certificate for any Shares now held or hereafter acquired by any Shareholder shall, for as long as this Agreement is effective, bear a legend as follows:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED: (A) IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS' AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

12.2 Discrepancies. If there is any discrepancy between any provision of this Agreement and any provision of the Articles or the charter documents of any Group Company, the provisions of this Agreement shall prevail, and the Parties shall procure that the Articles or the charter documents of the relevant Group Company, as the case may be, are promptly amended, to the extent permitted by applicable law, in order to conform with this Agreement.

12.3 Assignment. This Agreement shall inure to the benefit of, and be binding upon, the successors and Persons to whom a Shareholder transfers Equity Securities in the Company in a Transfer permitted under this Agreement, provided that in each case such Person signs a Deed of Adherence substantially in the form attached hereto as Exhibit B.

- 12.4 No Agency. No Shareholder, acting solely in its capacity as a Shareholder, shall act as an agent of the Company or have any authority to act for or to bind the Company, except as authorized by the Board. For the purposes of this Section 12.4, unless acting expressly solely in its capacity as a Shareholder, any Shareholder who is a director or officer or employee of any Group Company acting in the ordinary course of business of any Group Company shall be conclusively deemed to act for and on behalf of, and shall not be regarded as acting as an agent of, any Group Company. Any Shareholder that takes any action or binds the Company in violation of this Section 12.4 shall be solely responsible for, and shall indemnify the Company and each other Shareholder against, any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including any investigative, legal and other expenses reasonably incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding) that the Company, or such other Shareholders, as the case may be, may at any time become subject to or liable for by reason of such violation.
- 12.5 No Partnership. The Shareholders expressly do not intend hereby to form a partnership, either general or limited, under any jurisdiction's partnership law. The Shareholders do not intend to be partners one to another, or partners as to any third party, or create any fiduciary relationship among themselves, by virtue of their status as Shareholders. To the extent that any Shareholder, by word or action, represents to another Person that any Shareholder is a partner or that the Company is a partnership, the Shareholder making such representation shall be liable to each of the other Shareholders that incur any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever (including any investigative, legal or other expenses reasonably incurred in connection with, and any amount paid in settlement of, any pending or threatened legal action or proceeding) arising out of or relating to such representation.
- 12.6 Amendment. This Agreement may only be amended, modified or supplemented with a written instrument executed by the holders of more than 70% of the then issued and outstanding Ordinary Shares, the holders of more than 70% of the then issued and outstanding Preference Shares (voting as a single class on an as-converted basis) and the Company, and any such amendment shall be valid and binding on all Parties except that any amendment that adversely affects the rights of a Preferred Shareholder shall require the consent of the relevant Preferred Shareholder. Notwithstanding the foregoing, the Company may amend any of SCHEDULE 1, SCHEDULE 2 and SCHEDULE 3 to reflect any change in the Company's shareholding to the extent such change is in compliance with the provisions of this Agreement.
- 12.7 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.

- 12.8 Entire Agreement. This Agreement together with all other agreements entered into in connection with the closing of the Share Subscription Agreements and the Contribution Agreement, represents the entire understanding and constitutes the whole agreement among the Parties relating to the subject matter hereof and supersedes any prior agreements or understandings relating to such subject matter. Without limiting the generality of the foregoing, this Agreement supersedes, in its entirety, the Prior Shareholders Agreement, which shall be null and void and have no further force or effect whatsoever as of the date of this Agreement. The Parties hereby irrevocably waive any and all rights that they may have against any other Party under the Prior Shareholders Agreement.
- 12.9 Severability. Each and every obligation under this Agreement shall be treated as a separate obligation and shall be severally enforceable as such and in the event of any obligation or obligations being or becoming unenforceable in whole or in part. To the extent that any provision or provisions of this Agreement are unenforceable they shall be deemed to be deleted from this Agreement, and any such deletion shall not affect the enforceability of this Agreement as remain not so deleted.
- 12.10 Counterparts. This Agreement may be executed in any number of counterparts and by the Parties in separate counterparts, including counterparts transmitted by facsimile or by e-mails, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Except as otherwise specified, this Agreement shall become legally binding at the time of execution of the last such counterpart and shall have effect from the date first above written.
- 12.11 Consent to Specific Performance. The Parties declare that it may be impossible to measure in money the damages that would be suffered by a Party by reason of the failure by the other Parties to perform any of the obligations hereunder. Therefore, if any Party shall institute any action or proceeding to enforce the provisions hereof, the Party against whom such action or proceeding is brought hereby waives any claim or defense therein that the other Parties has an adequate remedy at law.
- 12.12 Consent. Any consent required under this Agreement shall be valid and effective only if given in writing.
- 12.13 No Third Party Right. The Parties do not intend that any term of this Agreement should be enforceable by any person who is not a party to this Agreement by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) or otherwise. Notwithstanding any benefits possibly conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Ordinance (Cap. 623), the Parties may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of any Third Party.

SECTION 13
GOVERNING LAW AND DISPUTE RESOLUTION

- 13.1 Governing Law. This Agreement shall be governed and interpreted in accordance with the internal laws of Hong Kong.
- 13.2 Arbitration. This Agreement shall be governed and interpreted in accordance with the internal laws of Hong Kong. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“**Dispute**”) shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules then in force. A dispute may be submitted to arbitration upon the request of any Party with written notice to the other Parties (the “**Arbitration Notice**”). There shall be three arbitrators. The claimants to the dispute shall collectively choose one arbitrator, and the respondents shall collectively choose one arbitrator, within 30 days after the delivery of the Arbitration Notice to the other Parties. The third arbitrator shall be appointed by the Hong Kong International Arbitration Centre. The language to be used in the arbitration proceedings shall be English. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

The COMPANY

YIXIN GROUP LIMITED

By: /s/ Xuan Zhang

Name:

Title:

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

BITAUTO HONG KONG LIMITED

By: /s/ Bin Li
Name:
Title:

BITAUTO HOLDINGS LIMITED

By: /s/ Bin Li
Name:
Title:

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

DONGTING LAKE INVESTMENT LIMITED

By: /s/ Ma Huateng
Name: Ma Huateng
Title: Director

MORESPARK LIMITED

By: /s/ Ma Huateng
Name: Ma Huateng
Title: Director

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

TENCENT MOBILITY LIMITED

By: /s/ Ma Huateng
Name: Ma Huateng
Title: Director

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

JD FINANCIAL INVESTMENT LIMITED

By: /s/ Richard Qiangdong Liu
Name: Richard Qiangdong Liu
Title: Authorized Signatory

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

Baidu (Hong Kong) Limited

By: /s/ Jennifer Li
Name: Jennifer Li
Title: Director

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

HAMMER CAPITAL MANAGEMENT LIMITED

By: /s/ Authorized Signatory
Name:
Title:

HCM IV LIMITED

By: /s/ Authorized Signatory
Name:
Title:

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

BAI GMBH

By: /s/ Authorized Signatory
Name: ppa. Thomas Werth Bettina Wulf
Title: Authorized Signatory

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

GENIUS CONCEPT LIMITED

By: /s/ Authorized Signatory
Name:
Title: Authorized Signatory

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

**CHINA ORIENT ASSET
MANAGEMENT (INTERNATIONAL)
HOLDING LIMITED**

By: /s/ Ma Teng Ying
Name: Ma Teng Ying
Title: Director

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

PACIFIC TREASURE GLOBAL LIMITED

By: /s/ Authorized Signatory
Name: Yu Chor Woon Carol
Title: CEO / Director

[Restated Shareholders Agreement Signature Page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

IDG CHINA CAPITAL FUND III L.P.

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

IDG CHINA CAPITAL III INVESTOR L.P.

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

[Restated Shareholders Agreement Signature Page]

SCHEDULE 1

LIST OF SERIES A INVESTORS

1. BITAUTO HONG KONG LIMITED
2. DONGTING LAKE INVESTMENT LIMITED
3. JD FINANCIAL INVESTMENT LIMITED
4. HAMMER CAPITAL MANAGEMENT LIMITED

Schedule 1-1

SCHEDULE 2

LIST OF SERIES B INVESTORS

1. BITAUTO HONG KONG LIMITED
2. BAIDU (HONG KONG) LIMITED
3. MORESPARK LIMITED
4. JD FINANCIAL INVESTMENT LIMITED
5. HCM IV LIMITED
6. BAI GmbH
7. GENIUS CONCEPT LIMITED

SCHEDULE 3

LIST OF SERIES C INVESTORS

1. BITAUTO HONG KONG LIMITED
2. BITAUTO HOLDINGS LIMITED
3. TENCENT MOBILITY LIMITED
4. PACIFIC TREASURE GLOBAL LIMITED
5. CHINA ORIENT ASSET MANAGEMENT (INTERNATIONAL) HOLDING LIMITED
6. IDG CHINA CAPITAL FUND III L.P.
7. IDG CHINA CAPITAL III INVESTORS L.P.

Schedule 3-1

EXHIBIT A

REGISTRATION RIGHTS

1. **Applicability of Rights.** The Holders (as defined below) shall be entitled to the following rights only with respect to any potential public offering of the Company's Shares in the United States. The rights provided hereunder shall terminate with respect to any Holder, at the earlier of (a) eight years after the Company's IPO and (b) if all Registrable Securities held by such Holder may then be sold without registration in any ninety (90) day period pursuant to Rule 144 promulgated under the Securities Act.

2. **Definitions.** In this Agreement, in addition to those defined in the context, the following expressions shall have the following meanings:

"**ADSs**" means American Depositary Shares representing the relevant number of the Company's ordinary shares.

"**Form F-3**" mean such respective form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"**Holder**" means any Person owning of record Registrable Securities that have not been sold to the public or pursuant to Rule 144 promulgated under the Securities Act or any permitted assignee of record of such Registrable Securities to whom rights under this Agreement have been duly assigned in accordance with this Agreement.

For purposes of this Section 2, "**Holder**", the term "**Holder**" means any Person owning or having the rights to acquire Registrable Securities or any permitted assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement.

"**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

"**Registrable Securities**" means (1) any Ordinary Shares of the Company issued or to be issued pursuant to the conversion of any Preference Shares; (2) any Ordinary Shares of the Company issued or issuable upon the conversion or exercise of any warrant, right or other security which is issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, any Preference Shares described in clause (1) of this definition; and (3) any other Ordinary Shares of the Company owned or hereafter acquired by holders of Preference Shares. Notwithstanding the foregoing, "**Registrable Securities**" shall exclude any Registrable Securities sold by a Person in a transaction in which rights under this Agreement are not assigned in accordance with this Agreement or any Registrable Securities sold in a public offering, whether sold pursuant to Rule 144 promulgated under the Securities Act, or in a registered offering, or otherwise.

“**Registrable Securities then outstanding**” means the number of Ordinary Shares of the Company that are Registrable Securities and are then issued and outstanding or are issuable upon conversion of Preference Shares then issued and outstanding, or issuable upon conversion or exercise of any warrant, right or other security then outstanding.

“**SEC**” or “**Commission**” means the U.S. Securities and Exchange Commission.

3. **Demand Registration.**

- (a) Request by Holders. If the Company shall at any time after the earlier of (i) the third (3rd) anniversary of the date of this Agreement and (ii) the expiry of six (6) months after a Qualified IPO receive a written request from the Holders of at least 15% of the Registrable Securities that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities pursuant to this Section 3, then the Company shall, within ten (10) Business Days of the receipt of such written request, give written notice of such request (“**Request Notice**”) to all Holders, and use all reasonable efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that Holders (including other Shareholders who so) request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) Business Days after receipt of the Request Notice, subject only to the limitations of this Section 3; provided that the Registrable Securities requested by all Holders to be registered pursuant to such request must have a market value in excess of US\$50,000,000 (or, in the case of an initial public offering, US\$200,000,000); provided, further, that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 3 or Section 5, or in which the Holders had an opportunity to participate pursuant to the provisions of Section 4, other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 4(a).

- (b) Underwriting. If the Holders initiating the registration request under this Section 3 (“Initiating Holders”) intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 3 and the Company shall include such information in the written notice referred to in subsection 3(a). In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditional upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company (including a market stand-off agreement of up to one hundred eighty (180) days if required by such underwriter or underwriters). Notwithstanding any other provision of this Section 3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the initiating Holders); provided, however, that (i) the number of Registrable Securities included in any such registration shall not be reduced below thirty percent (30%) of the aggregate number of Registrable Securities for which inclusion has been requested and (ii) the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded and withdrawn from such underwriting shall be withdrawn from the registration. If the underwriter has not limited the number of Registrable Securities to be underwritten, the Company may include its securities for its own account in such registration if the underwriter so agrees and if the number of Registrable Securities which would otherwise have been included in such registration and underwriting will not thereby be limited.
- (c) Maximum Number of Demand Registrations. The Company shall be obligated to effect only three (3) such registrations pursuant to this Section 3.
- (d) Deferral. Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 3:
- (i) during the period starting with the date sixty (60) Business Days prior to the Company’s good faith estimate of the date of the filing of, and ending on a date one hundred eighty (180) Business Days following the effective date of, a Company-initiated registration subject to Section 4 below; provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;
 - (ii) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form F-3 pursuant to Section 5 hereof;
 - (iii) if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 3, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the request of the initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; or

- (iv) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.
 - (e) Expenses. All expenses incurred in connection with any registration pursuant to this Section 3, including without limitation all U.S. federal, “blue sky” and all foreign registration, filing and qualification fees, printer’s and accounting fees, and fees and disbursements of counsel for the Company including reasonable expenses of one legal counsel for the Holders (but excluding underwriters’ discounts and commissions and ADS issuance fees relating to shares sold by the Holders), shall be borne by the Company. Each Holder participating in a registration pursuant to this Section 3 shall bear such Holder’s proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, commissions or other amounts payable to underwriter(s) or brokers and all ADS issuance fees, in connection with such offering by the Holders.
4. **Piggyback Registrations.** The Company shall notify all Holders of Registrable Securities in writing at least twenty (20) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 3 or Section 5 of this Exhibit A or to any employee benefit plan or a corporate reorganization) and will afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by such Holder shall within eighteen (18) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.
- (a) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 4 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 4(c) hereof.

- (b) Underwriting. If a registration statement under which the Company gives notice under this Section 4 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 4 shall be conditional upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting (including a market stand-off agreement of up to 180 days if required by such underwriter or underwriters). Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares (including up to seventy percent (70%) of the Registrable Securities) from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first to the Company, and second, to each of the Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of Registrable Securities then held by each such Holder; provided, however, that the right of the underwriter(s) to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below thirty percent (30%) of the aggregate number of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and are held by any other Person, including, without limitation, any Person who is an employee, officer, consultant or director of the Company (or any Subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder that is a partnership, the Holder and the partners and retired partners of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing Persons, and for any Holder that is a corporation, the Holder and all corporations that are Affiliates of such Holder, shall be deemed to be a single "Holder," and any pro rata reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.
- (c) Expenses. All expenses incurred in connection with a registration pursuant to this Section 4 (excluding underwriters' and brokers' discounts and commissions and ADS issuance fees relating to shares sold by the Holders), including, without limitation all U.S. federal, "blue sky" and all foreign registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of counsel for the Company and reasonable expenses of one legal counsel for the Holders, shall be borne by the Company.

- (d) Not Demand Registration. Registration pursuant to this Section 4 shall not be deemed to be a demand registration as described in Section 3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 4.
5. **Form F-3 Registration.** In case the Company shall receive from any Holder or Holders of at least 15% of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form F-3 (or an equivalent registration in a jurisdiction outside of the United States) and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:
- (a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities; and
- (b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fourteen (14) Business Days after the Company provides the notice contemplated by Section 5(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 5:
- (i) if Form F-3 is not available for such offering by the Holders;
- (ii) if the Holders propose to sell Registrable Securities at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than US\$2,000,000;
- (iii) if the Company shall furnish to the Holders a certificate signed by the president or chief executive officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such Form F-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 registration statement no more than once during any twelve month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 5;
- (iv) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 4(a);

- (v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service of process in such jurisdiction; or
 - (vi) if such registration is to be effected more than eight (8) years after the Company's IPO.
- (c) Expenses. The Company shall pay all expenses incurred in connection with each registration requested pursuant to this Section 5 (excluding underwriters' or brokers' discounts and commissions and ADS issuance fees relating to shares sold by the Holders), including without limitation all U.S. federal, "blue sky" and all foreign registration, filing and qualification fees, printers' and accounting fees, and fees and disbursements of counsel and reasonable expenses of one legal counsel for the Holders.
- (d) Not Demand Registration. Form F-3 registrations shall not be deemed to be demand registrations as described in Section 3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 5.
- (e) Resale Shelf; Alternative Transactions. At any time when the Company is eligible to file a registration statement on Form F-3 for a secondary offering of equity securities pursuant to Rule 415 under the Securities Act (a "**Resale Shelf**"), any registration statement requested pursuant to this Agreement shall be made as a Resale Shelf. During the period of effectiveness of a Resale Shelf, any resale of shares of Registrable Securities pursuant to this Exhibit A shall be in the form of a "takedown" from such Resale Shelf rather than a separate registration statement. The Company shall use its commercially reasonable efforts to cooperate in a timely manner with any request of the Holders in respect of any block trade, hedging transaction or other transaction that is registered pursuant to a Resale Shelf that is not a firm commitment underwritten offering (each, an "**Alternative Transaction**"), including entering into customary agreements with respect to such Alternative Transactions (and providing customary representations, warranties, covenants and indemnities in such agreements) as well as providing other reasonable assistance in respect of such Alternative Transactions of the type applicable to a public offering, to the extent customary for such transactions.
6. **Obligations of the Company.** Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

- (a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective for the lesser of (x) one hundred twenty (120) days (or, in the case of a Resale Shelf, three years from the effective date of the registration statement) and (y) such shorter period which will terminate when all Registrable Securities covered by such Registration Statement have been sold.
- (b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.
- (c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.
- (d) Blue Sky. Use all reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.
- (e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.
- (f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

- (g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a “comfort” letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

Notwithstanding any of the foregoing provisions, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 3 or Section 5 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case the participating Holders requesting for the withdrawal shall bear such expenses), unless, in the case of a registration requested under Section 3, all of the Holders of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 3.

7. **Furnish Information.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Exhibit A with respect to the Registrable Securities of the selling Holders that such selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the Registration of their Registrable Securities. In this connection, each selling Holder shall be required to represent and warrant to the Company that all such information which is given in writing expressly for inclusion in such registration is true and accurate in all material respects.
8. **No Registration Rights to Third Parties.** Without the prior consent of the Holders of seventy-five percent (75%) of the Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any Person or entity any registration rights of any kind (whether similar to the demand, “piggyback” or Form S-3 or Form F-3 registration rights described in this Exhibit A, or otherwise) relating to any Securities of the Company, other than rights that are subordinate in right to the Holders.
9. **Assignment.** The registration rights under this Exhibit A may be transferred or assigned to any transferee of Preference Shares.

10. **Market Stand-Off Agreement.** Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's initial public offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) Business Days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise. The foregoing provisions of this Section 10 shall apply only to the Company's initial public offering of equity securities, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders if all officers and directors and greater than five percent (5%) Shareholders of the Company enter into similar agreements. The underwriters in connection with the Company's initial public offering are intended third party beneficiaries of this Section 10 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period.
11. **Indemnification and Contribution.**
- (a) Indemnification by the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its partners, directors, officers, legal counsel and each Person who controls such Holder (within the meaning the Securities Act or the Exchange Act) from and against any and all losses, claims, damages, liabilities and expenses, or any action or proceeding in respect thereof (including reasonable costs of investigation and reasonable attorneys' fees and expenses) (each, a "**Liability**" and collectively, "**Liabilities**") to which they may become subject under the Securities Act, the Exchange Act, or other United States federal or state law, insofar as such Liability arising out of or based upon (a) any untrue, or allegedly untrue, statement of a material fact contained in any registration statement, prospectus or free-writing prospectus filed in connection with any registration hereunder or in any amendment or supplement thereto (each a "**Disclosure Document**"); and (b) the omission or alleged omission to state in any Disclosure Document any material fact required to be stated therein or necessary to make the statements therein not misleading under the circumstances such statements were made; provided, however, that that the indemnity agreement contained in this subsection (a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the written consent of the Company (which consent shall not be unreasonably withheld), nor the Company shall be held liable in any such case to the extent that any such Liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission contained in such Disclosure Document in reliance upon and in conformity with information concerning such Holder furnished in writing to the Company by or on behalf of such Holder expressly for use therein.

- (b) Indemnification by Holders. To the extent permitted by law, in connection with any offering in which a Holder is participating pursuant to Section 3, Section 4 or Section 5 hereof, such Holder will severally and not jointly indemnify and hold harmless the Company, each of its directors and officers, the other Holders and any of such other Holder's partners, directors, officers, legal counsel, any underwriter retained by the Company and each Person who controls the Company, the other Holders or such underwriter (within the meaning of the Securities Act or the Exchange Act) to the same extent as the foregoing indemnity from the Company to the Holders (including indemnification of their respective partners, directors, officers, legal counsel and controlling Persons), but only to the extent that Liabilities arise out of or are based upon a statement or alleged statement or an omission or alleged omission that was made in reliance upon and in conformity with information with respect to such Holder furnished in writing to the Company by or on behalf of such Holder expressly for use in such Disclosure Document; provided, however, that that the indemnity agreement contained in this subsection (b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the written consent of the Holder (which consent shall not be unreasonably withheld), and that the total amount to be indemnified by such Holder pursuant to this Section 11(b) shall be limited to the net proceeds (after deducting any underwriters' discounts and commissions) received by such Holders in the offering to which such Disclosure Document relates.
- (c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification or contribution hereunder (the "**Indemnified Party**") agrees to give prompt written notice to the indemnifying party (the "**Indemnifying Party**") after the receipt by the Indemnified Party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which the Indemnified Party intends to claim indemnification or contribution pursuant to this Agreement; provided, however, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any Liability that it may have to the Indemnified Party hereunder (except to the extent that the Indemnifying Party is materially prejudiced or otherwise forfeits substantive rights or defenses by reason of such failure). If notice of commencement of any such action is given to the Indemnifying Party as above provided, the Indemnifying Party shall be entitled to participate in and, to the extent it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such Indemnified Party. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the reasonable and documented out-of-pocket fees and expenses of such counsel shall be paid by the Indemnified Party unless (i) the Indemnifying Party agrees to pay the same, (ii) the Indemnifying Party fails to assume the defense of such action with counsel reasonably satisfactory to the Indemnified Party or (iii) the named parties to any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and such parties have been advised by such counsel that either (x) representation of such Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate under applicable standards of professional conduct or (y) there may be one or more legal defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party. In any of such cases, the Indemnifying Party shall not have the right to assume the defense of such action on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not be liable for the reasonable and documented out-of-pocket fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all Indemnified Parties and all such reasonable and documented out-of-pocket fees and expenses shall be reimbursed as incurred. No Indemnifying Party shall be liable for any settlement entered into without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the consent of such Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which such Indemnified Party is a party and indemnity has been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability for claims that are the subject matter of such proceeding.

- (d) Contribution. If the indemnification provided for in this Section 11 from the Indemnifying Party is unavailable to an Indemnified Party hereunder or insufficient to hold harmless an Indemnified Party in respect of any Liabilities referred to herein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions which resulted in such Liabilities, as well as any other relevant equitable considerations. The relative faults of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the Liabilities referred to above shall be deemed to include, subject to the limitations set forth herein, any reasonable and documented out-of-pocket legal or other fees, charges or expenses reasonably incurred by such party in connection with any investigation or proceeding; provided that the total amount to be contributed by any Holder shall be limited to the net proceeds (after deducting any underwriters' discounts and commissions) received by such Holder in the offering. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 11(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

12. **Reports.** The Company covenants that it shall (i) use commercially reasonable efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder and (ii) take such action as may be required from time to time to enable such Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any similar rules or regulations hereafter adopted by the Commission. The Company shall, upon the request of any Holder, deliver to such Holder a written statement as to whether it has complied with such requirements.

CONTRIBUTION AGREEMENT

This Contribution Agreement (this “Agreement”) is made as of May 11, 2017, by and between Bitauto Holdings Limited, a company incorporated in the Cayman Islands (“Bitauto”), and Yixin Capital Limited, a company incorporated in the Cayman Islands (the “Company”). Bitauto and the Company are each referred to herein as a “Party,” and collectively as the “Parties.”

WITNESSETH:

WHEREAS, Bitauto desires to (i) contribute its used automobile or related business, (the “Used Automobile Business”) (as described on and in accordance with Annex A, the “Restructuring”), (ii) make non-compete undertakings in relation to the Used Automobile Business (the “Non-compete Undertakings”), and (iii) provide free traffic support in relation to automobile-related financing, leasing, and/or insurance services and used automobile-related business (the “Traffic Support”).

WHEREAS, the Company desires to issue to Bitauto and/or its designated entity an aggregate number of 75,234,010 Subject Shares (the “Subscription Shares”) representing 9.13% of the post-closing issued and outstanding Equity Securities of the Company (on a fully diluted basis).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the Parties agree as follows:

**ARTICLE I
DEFINITIONS AND TERMS**

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

“Accounting Principles” shall mean, (i) with respect to unconsolidated financial statements of the Company and its non-PRC Subsidiaries, the International Financial Reporting Standards as issued by the International Accounting Standards Board, the Generally Accepted Accounting Principles in the United States or the Generally Accepted Accounting Principles in Hong Kong, (ii) with respect to unconsolidated financial statements of the Company’s PRC Subsidiaries, the Generally Accepted Accounting Principles in the PRC, and (iii) with respect to consolidated financial statements of the Company, the International Financial Reporting Standards as issued by the International Accounting Standards Board or the Generally Accepted Accounting Principles in the United States.

“Affiliate” shall of a Person (the “Subject Person”) mean (a) in the case of a Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (b) in the case of a natural person, any other Person that is directly or indirectly Controlled by the Subject Person or is a Relative of the Subject Person.

“Agreement” shall have the meaning set forth in the Preamble.

“Articles” shall mean the Third Amended and Restated Memorandum and Articles of Association of the Company in substantially the same form as attached in Annex B.

“Asset List” shall mean the Asset List attached hereto as Annex C.

“Authorization” shall mean consent, approval, order or authorization of, or registration with, or the giving notice to, any Governmental Authority or any third party.

“BCA” shall have the meaning set forth in Section 2.1(c).

“Bitauto” shall have the meaning set forth in the Preamble.

“Business Day” shall mean any day other than Saturday, Sunday or other day on which commercial banks located in the Cayman Islands, New York, the PRC or Hong Kong are authorized or required by law or executive order to be closed and on which no tropical cyclone warning No. 8 or above and no “black” rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

“Closing” shall have the meaning set forth in Section 2.2.

“Closing Date” shall mean the date on which the Closing occurs.

“Company” shall have the meaning set forth in the Preamble.

“Confidential Information” shall have the meaning set forth in Section 5.8(a).

“Contract” means, as to any Person, a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

“Contributed Assets” shall mean all assets, intellectual property rights, employees and Contracts set out in the Asset List.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a Person, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise. For the purpose of this definition, a Person shall be deemed to Control another Person if such first Person, directly or indirectly, owns or holds more than 50% of the voting Equity Securities in such other Person. The term “Controlled” has the meaning correlative to the foregoing

“Control Documents” shall mean, collectively, the agreements made from time to time, which enable the Company to exclusively Control, and consolidate in its financial statements the results of the VIE Entity, entered into between the WFOE on the one hand and the VIE Entity or the shareholders of the VIE Entity on the other hand.

“Contributing Parties” shall mean Bitauto and its Subsidiaries that contributed the relevant Contributed Assets.

“Contemplated Transactions” shall mean the transactions contemplated by this Agreement and other Restructuring Documents.

“Dispute” shall have the meaning set forth in Section 5.2.

“Disclosure Schedule” shall mean the disclosure schedule dated the date hereof in respect of this Agreement which has been provided by Bitauto to the Company.

“Employment Agreement” shall mean an employment, confidentiality, non-competition, non-solicitation and assignment of inventions agreement by and between a Key Employee and the Company or one of its Subsidiaries in a form substantially the same as attached hereto in Part II of Annex D.

“Encumbrance” shall mean any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse claims, or other encumbrance, priority or security interest, over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same.

“Equity Securities” means, with respect to any Person, such Person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, Ordinary Shares and Subject Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such Person).

On a “fully diluted basis” shall mean, for the purpose of calculating share numbers, that the calculation is to be made assuming that all outstanding options, warrants and other securities convertible into or exercisable or exchangeable for Ordinary Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged, and, in case of calculating the numbers of the Shares, giving effect to both Closings, the Ordinary Shares reserved for issuance under the ESOP and all issuances of Equity Securities in connection with the Restructuring.

“Governmental Authority” shall mean any government or political subdivision thereof, whether on a federal, central, state, provincial, municipal or local level and whether executive, legislative or judicial in nature, including any agency, authority, board, bureau, commission, court, department or other instrumentality thereof and any governing body of any securities exchange.

“Group” or “Group Companies” means collectively the Company and its Subsidiaries, and a “Group Company” means any of them.

“Law” or “Laws” shall mean all applicable laws, regulations, rules and Orders of any Governmental Authority, securities exchange or other self-regulating body, including any common or customary law, constitution, code, ordinance, statute or other legislative measure and any regulation, rule, treaty, order, decree or judgment; and “lawful” shall be construed accordingly.

“Liabilities” shall mean any and all debts, liabilities, commitments and obligations of any kind, whether fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or not accrued, asserted or not asserted, known or unknown, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by the Accounting Principles to be reflected in financial statements or disclosed in the notes thereto.

“Material Adverse Effect” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on any of (i) the condition, assets, Liabilities, results of operations, or business of the Used Automobile Business taken as a whole, except to the extent that any such Material Adverse Effect results from (A) changes in generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting the Company or its Subsidiaries), (C) changes in general economic and market conditions (to the extent not materially disproportionately affecting the Used Automobile Business, the Company or its Subsidiaries), (D) acts of war, sabotage or terrorism or natural disaster involving any jurisdiction in which the Company and its Subsidiaries operate, (E) any action taken by Bitauto, the Contributing Parties, the Company, or the Group Companies that is required or expressly contemplated to be taken pursuant to the Restructuring Documents, or (ii) the ability of the Company, Bitauto or their respective Affiliates to consummate the Contemplated Transactions.

“Non-assignable Asset” shall have the meaning set forth in Section 4.5(a).

“Non-assignable Contract” means any Contract identified as such in the Asset List.

“Non-assignable IP” means any intellectual property right identified as such in the Asset List.

“Non-assignable Fixed Assets” means any fixed asset identified as such in the Asset List.

“Non-compete Undertakings” shall have the meaning set forth in the Recitals.

“Order” shall mean any order, ruling, decision, verdict, decree, writ, subpoena, mandate, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“Ordinary Shares” shall mean the ordinary shares of par value of US\$0.0001 each in the capital of the Company.

“Party” or “Parties” shall have the meaning set forth in the Preamble.

“Person” shall mean any natural person, firm, partnership, association, corporation, company, trust, public body or government or other entity of any kind or nature.

“PRC” shall mean the People’s Republic of China, but for the purposes of this Agreement, excluding Hong Kong, Macau and Taiwan.

“Relative” of a natural person means any spouse, parent, child, or sibling of such person.

“Restructuring” shall have the meaning set forth in the Recitals.

“Restructuring Completion Date” shall have the meaning set forth in Section 4.3(c).

“Restructuring Documents” shall have the meaning set forth in Section 4.2(a).

“Restructuring Period” shall have the meaning set forth in Section 4.3(c).

“Series A Preference Shares” shall mean the Series A Preference Shares of the Company, par value US\$0.0001 per share.

“Series B Preference Shares” shall mean the Series B Preference Shares of the Company, par value US\$0.0001 per share.

“Subject Shares” shall mean the Series C Preference Shares of the Company, par value US\$0.0001 per share.

“Subscription Shares” shall have the meaning set forth in the Recitals.

“Subsidiary” shall mean, with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, which is Controlled by such Person. For the avoidance of the doubt, a “variable interest entity” Controlled by a Person shall be deemed a Subsidiary of such Person.

“Tencent” means (i) Dongting Lake Investment Limited, a company incorporated under the laws of the British Virgin Islands, (ii) Morespark Limited, a company incorporated under the laws of Hong Kong, and (iii) Tencent Mobility Limited, a company incorporated under the laws of Hong Kong, and any transferee of Tencent that is also an Affiliate of Tencent; provided that, for the purpose of obtaining the consent, approval, authorization or permission (as the case may be) from Tencent under this Agreement, consent, approval, authorization or permission from any of the single entity described in proviso (i), (ii) or (iii) or such transferee shall be deemed as from Tencent.

“Traffic Support” shall have the meaning set forth in the Recitals.

“Transferred Contracts” shall mean the business Contracts set out in the Asset List.

“Transferred Employees” shall mean the employees set out in the Asset List.

“Transferred Entities” shall mean the Transferred Subsidiary and its Subsidiaries set out in the Asset List.

“Transferred IP” shall mean the intellectual property rights set out in the Asset List.

“Transferred Leases” shall mean the leases set out in the Asset List.

“Transferred Subsidiary” shall mean Transferred Subsidiary as specified in the Asset List.

“Transferred Subsidiary Financial Statements” shall mean the unaudited consolidated income statement and balance sheet of the Transferred Subsidiary as of April 30, 2017.

“Used Automobile Business” shall have the meaning set forth in the Recitals.

“VIE Entity” shall mean Beijing Yixin Information Technology Co., Ltd., (北京易鑫信息科技有限公司), a company incorporated in the PRC.

“WFOE” shall mean Shanghai Techuang Advertising Co., Ltd. (上海特创广告有限公司), a wholly foreign-owned entity established directly or indirectly by the Company.

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

- (a) the words “hereof,” “hereby,” “hereto,” “herein,” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;
 - (b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;
 - (c) any references herein to “Dollars” and “\$” and “US\$” are to United States Dollars and any references herein to RMB are to PRC Renminbi;
 - (d) any references herein to a specific Section, Schedule or Exhibit or to the Recitals or Preamble shall refer, respectively, to Sections, Schedules, Exhibits, Recitals or Preamble of this Agreement, unless otherwise specified;
-

- (e) wherever the word “include,” “includes” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation;”
- (f) references herein to any gender shall include each other gender as the context requires;
- (g) the word “or” shall not be exclusive;
- (h) references to “written” or “in writing” include in electronic form;
- (i) reference to any Person includes such Person’s successors and permitted assigns;
- (j) any reference to “days” shall mean calendar days unless Business Days are expressly specified;
- (k) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day;
- (l) any reference to any Law shall be deemed (i) to refer to the applicable Law in effect as of the date hereof (unless the applicable Law addressed matters as of an earlier date, in which case, applicable Law shall be deemed to mean the applicable Law in effect as of the date thereof) and (ii) also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise; and
- (m) any reference in this Agreement to any agreement or instrument is a reference to that agreement or instrument as amended or novated or supplemented.

ARTICLE II SUBSCRIPTION

Section 2.1 Certain Transactions. Upon the terms and conditions of this Agreement,

- (a) Bitauto and/or its designated entity shall subscribe for, and the Company shall issue and deliver to Bitauto and/or its designated entity, the Subscription Shares, at the Closing (as defined below);
- (b) Bitauto shall, and shall cause its relevant Subsidiaries to, transfer to the Company and/or its relevant Subsidiaries the Used Automobile Business (including the Transferred Entities) and the Company shall, and shall cause its relevant Subsidiaries to, purchase from Bitauto and/or its relevant Subsidiaries such Used Automobile Business in accordance with this Agreement and Restructuring Documents; and
-

(c) Bitauto and the Company agree to enter into a business cooperation agreement in respect of Traffic Support and Non-compete Undertakings (the “BCA”).

Section 2.2 Closing. The closing of the issuance of the Subscription Shares (the “Closing”) shall take place on the third Business Day following the satisfaction or waiver of the conditions set forth in Section 2.4(a) (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), or at such other time and place as Bitauto and the Company may agree in writing.

Section 2.3 Payment and Delivery. At the Closing:

(a) On or prior to the Closing, Bitauto shall deliver to the Company copies of the Restructuring Documents, duly executed by the relevant Contributing Parties, and the Company shall deliver to Bitauto copies of the Restructuring Documents, duly executed by the relevant Group Companies;

(b) At the Closing, Bitauto shall deliver to the Company a copy of the BCA, duly executed by Bitauto and/or its Affiliates, and the Company shall deliver the BCA to Bitauto, duly executed by the relevant Group Companies; and

(c) The Company shall deliver duly executed share certificates for the Subscription Shares in original form. The certificates representing the Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “ACT”) OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED: (A) IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE APPLICABLE SHAREHOLDERS’ AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON REQUEST TO THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.

(d) Discharge of Payment Obligation. Completion by Bitauto of its obligations under Section 2.3(a) and Section 2.3(b) shall constitute full discharge of its obligations to pay the total consideration pursuant to Section 2.1.

Section 2.4 Conditions.

(a) Conditions to Company’s Obligations to Effect the Closing. The obligation of the Company to consummate the transactions contemplated by Section 2.1 is subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by the Company in its sole discretion:

(i) The representations and warranties of Bitauto contained in Section 3.1 and Section 3.3 shall have been true, accurate and not misleading in all respects (in the case of any such representation or warranty containing any materiality or Material Adverse Effect qualification) or in all material respects (in the case of any such representation or warranty without any materiality or Material Adverse Effect qualification) on and as of the date of this Agreement and on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except for such representations and warranties that are made as of a specific date, which shall speak only as of such date).

(ii) Bitauto shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement and the other Restructuring Documents that are required to be performed or complied with on or before the Closing Date.

(iii) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by any Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the consummation of the Contemplated Transactions.

(iv) Bitauto shall have obtained any and all Authorizations necessary for the consummation by the Company of the issuance of the Subject Shares to Bitauto and the entry by Bitauto into this Agreement or any other Restructuring Document to which it is a party, all of which shall be in full force and effect.

(v) No event, development or state of circumstances shall have occurred or come to exist which, individually or in the aggregate, has had or would reasonably be expected to have or result in a Material Adverse Effect.

(vi) Bitauto shall have delivered to the Company a certificate, dated the Closing Date and signed by a duly authorized signatory of Bitauto, certifying that the conditions set forth in Section 2.4(a)(i), Section 2.4(a)(ii), Section 2.4(a)(iii), Section 2.4(a)(iv), and Section 2.4(a)(v) have been satisfied.

(vii) Each of the Contributing Parties to the Restructuring Document shall have entered into the relevant Restructuring Document and otherwise in form and substance reasonably acceptable to the Company, and each Restructuring Document (subject to any Authorizations to be obtained under the Restructuring Agreement) shall remain in full force and effect.

(viii) Each of the Contributing Parties to the Restructuring Document shall have obtained any and all Authorizations necessary for the entry into and consummation by the Contributing Parties for the portion of the Restructuring to be completed prior to the Closing pursuant to, and the obligations of each of the Company and the Key Holder to be performed prior to the Closing.

(ix) Subject to provisions hereunder, each Key Employee as listed in Annex D shall have entered into the Employment Agreement with the Company.

(b) Conditions to Bitauto's Obligations to Effect the Closing. The obligation of the Bitauto to consummate the transactions contemplated by Section 2.1 is subject to the satisfaction, on or before the Closing Date, of each of the following conditions, any of which may be waived in writing by Bitauto in its sole discretion:

(i) The representations and warranties of the Company contained in Section 3.1 and Section 3.2 shall have been true, accurate and not misleading in all respects (in the case of any such representation or warranty containing any materiality qualification) or in all material respects (in the case of any such representation or warranty without any materiality qualification) on and as of the date of this Agreement and on and as of the Closing Date with the same effect as if made on and as of the Closing Date (except for such representations and warranties that are made as of a specific date, which shall speak only as of such date).

(ii) The Company shall have performed and complied in all material respects with all, and not be in breach or default in any material respect under any, agreements, covenants, conditions and obligations contained in this Agreement and the other Restructuring Documents that are required to be performed or complied with on or before the Closing Date.

(iii) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the Contemplated Transactions; and no action, suit, proceeding or investigation shall have been instituted or threatened by any Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the Contemplated Transactions, or imposes any damages or penalties in connection with the consummation of the Contemplated Transactions.

(iv) The Company shall have obtained any and all Authorizations necessary for the consummation by the Company of the issuance of the Subject Shares to Bitauto and the entry by each of Group Company into this Agreement or any other Restructuring Document to which it is a party, all of which shall be in full force and effect.

(v) No event, development or state of circumstances shall have occurred or come to exist which, individually or in the aggregate, has had or would reasonably be expected to have or result in a Material Adverse Effect.

(vi) The Company shall have delivered to Bitauto a certificate, dated the Closing Date and signed by a duly authorized signatory of Bitauto, certifying that the conditions set forth in Section 2.4(a)(i), Section 2.4(b)(ii), Section 2.4(b)(iii), Section 2.4(b)(iv), and Section 2.4(b)(v) have been satisfied.

(vii) The Articles shall have been duly adopted by the Company and shall remain in full force and effect.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereby represents and warrants to the other Parties as of the date hereof and as of the Closing Date, as follows:

(a) Due Formation. Such Party is duly formed, validly existing and in good standing in the jurisdiction of its organization and has all requisite power and authority to carry on its business as it is currently being conducted.

(b) Authority. Such Party has full power and authority to enter into, execute and deliver this Agreement, and each other agreement, certificate, document and instrument to be executed and delivered by such Party pursuant to this Agreement and to perform its obligations hereunder and thereunder. The execution and delivery by such Party of this Agreement and the performance by such Party of its obligations hereunder have been duly authorized by all requisite actions on its part.

(c) Valid Agreement. This Agreement has been duly executed and delivered by such Party and constitutes the legal, valid and binding obligations of such Party, enforceable against it in accordance with the terms hereof, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) any Authorizations to be obtained under this Agreement or each other Restructuring Document to which such Party is a party.

(d) Non-contravention; Litigation. None of the execution and the delivery of this Agreement will (i) violate any provision of the organizational documents of such Party or violate any Law or Order of any Governmental Authority to which such Party is subject, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of an Encumbrance under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which such Party is a party or by which such Party is bound or to which any of such Party's assets are subject, except for such conflicts, breaches or defaults which would not have a Material Adverse Effect. There is no action, suit or proceeding, pending or threatened against such Party that questions the validity of this Agreement or the right of such Party to enter into this Agreement or to consummate the transactions contemplated hereunder, except for such actions, suits or proceedings which would not have a Material Adverse Effect.

(e) Consents and Approvals. None of the execution and delivery by such Party of this Agreement nor the performance by such Party of this Agreements in accordance with its terms requires any Authorization, except such as have been or will have been obtained, made or given on or prior to the Closing Date, (ii) as set forth in this Agreement and Restructuring Documents, or (iii) as would not have a Material Adverse Effect.

Section 3.2 Additional Representations and Warranties of the Company. The Company hereby represents, warrants and undertakes to Bitauto that, as of the date hereof and as of the Closing Date, the following representations and warranties are true and correct:

(a) Capitalization.

(i) As of the Closing, the Subscription Shares will represent 9.13% of the issued and outstanding Equity Securities of the Company (on a fully diluted basis), assuming the closing of other investors' investment in an amount of US\$225 million will occur no later than the Closing.

(ii) The rights of the Subscription Shares are as stated in the Articles.

(b) Due Issuance of the Subscription Shares. The Subscription Shares have been duly authorized and, when issued and delivered to and paid for by Bitauto and/or its designated entity pursuant to this Agreement, will be validly issued, fully paid and non-assessable and free and clear of any Encumbrance, except for restrictions arising under the Securities Act or created by virtue of this Agreement or the Articles and upon delivery and entry into the register of members of the Company, the Subscription Shares will transfer to Bitauto and/or its designated entity with good and valid title, free and clear of any Encumbrance, except for restrictions arising under the Securities Act or created by virtue of this Agreement or the Articles.

Section 3.3 Additional Representations and Warranties of Bitauto. Bitauto hereby represents, warrants and undertakes to the Company that, as of the date hereof and as of the Closing Date, the following representations and warranties with respect to the Used Automobile Business are true and correct:

(a) Ordinary Course. The Used Automobile Business has been carried on in the ordinary course and so as to maintain the same as a going concern. There is no existing fact or circumstance that may have a Material Adverse Effect for it to be conducted as currently conducted.

(b) The Transferred Entities. The shares of the Transferred Subsidiary have been fully paid up and are free and clear of any Encumbrance. The Transferred Entities have all of the licenses and permits necessary to permit the Transferred Entities to lawfully conduct and operate the Used Automobile Business and to permit the Transferred Entities to own and use their assets in the manner they currently owns and uses their assets. There is no existing fact or circumstance that may have a Material Adverse Effect with respect to the Transferred Entities for them to conduct operation as currently conducted.

(c) Options, Warrants and Reserved Shares. There are no outstanding options, warrants, rights (including conversion or preemption rights) or agreements for the subscription or purchase from any of the Transferred Entities of any Equity Securities of any of the Transferred Entities or any securities convertible into or ultimately exchangeable or exercisable for any Equity Securities of any of the Transferred Entities. No shares or equity interest in the capital stock of any Transferred Entity, or shares issuable upon exercise of any outstanding options, warrants or rights, or other shares issuable by any Transferred Entity, are subject to any preemptive rights, rights of first refusal or other rights to subscribe or purchase such shares (whether in favor of a Transferred Entity or any other person), pursuant to any agreement or commitment of any Transferred Entity. There are no outstanding options, warrants, rights or agreements for the creation of any Encumbrance on the Equity Securities of any of the Transferred Entities.

(d) Transferred Subsidiary Financial Statements; Change. The Transferred Subsidiary Financial Statements have been prepared in accordance with the applicable Accounting Principles indicated therein applied on a consistent basis throughout the periods indicated. The Transferred Subsidiary Financial Statements fairly present in all material respects the financial condition and operating results of the Transferred Entities as of the dates, and for the periods, indicated therein. Except as set forth in the Transferred Subsidiary Financial Statements, none of the Transferred Entities has material Liabilities or obligations, contingent or otherwise, other than (i) Liabilities incurred in the ordinary course of business subsequent to April 30, 2017; (ii) obligations under contracts and commitments incurred in the ordinary course of business; and (iii) Liabilities and obligations of a type or nature not required under the Accounting Principles to be reflected in the Transferred Subsidiary Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect. Since April 30, 2017 there has not been:

- (i) any change in the assets, Liabilities, financial condition or operating results of the Transferred Entities from that reflected in the Transferred Subsidiary Financial Statements, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect;
 - (ii) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect;
 - (iii) any waiver or compromise by the Transferred Entities of a valuable right or of a material debt owed to it;
 - (iv) any satisfaction or discharge of any lien, claim, or Encumbrance or payment of any obligation by the Transferred Subsidiary, except in the ordinary course of business and the satisfaction or discharge of which would not have a Material Adverse Effect;
 - (v) any material change to a material contract or agreement by which the Transferred Subsidiary or any of its assets is bound or subject;
 - (vi) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder;
-

(vii) any resignation or termination of employment of any senior officer of the Transferred Subsidiary;

(viii) any mortgage, pledge, transfer of a security interest in, or lien, created by the Transferred Subsidiary, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the Transferred Subsidiary's ownership or use of such property or assets;

(ix) any loans or guarantees made by the Transferred Subsidiary to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(x) any declaration, setting aside or payment or other distribution in respect of any of the Transferred Subsidiary's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such share capital by the Transferred Subsidiary;

(xi) any sale, assignment or transfer of any intellectual property rights of the Transferred Subsidiary that could reasonably be expected to result in a Material Adverse Effect;

(xii) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Transferred Subsidiary;

(xiii) any arrangement or commitment by the Transferred Subsidiary to do any of the things described in this Section

3.3(d).

(e) Transferred Contracts. Each Transferred Contract has been duly executed and is valid and binding on the parties thereto with full force and effect. Except as would not reasonably be expected to have a Material Adverse Effect, no Transferred Contract will be terminated or adversely affected as a result of or relating to the Contemplated Transaction. None of the Contributing Party is in material breach of or has knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any Transferred Contract to which such Contributing Party is a party, nor has any such party received notice of any intention to terminate any such agreement or repudiate or disclaim any other transaction.

(f) Real Property. Each Transferred Lease is in full force and effect, unimpaired by any acts or omissions of the relevant Contributing Party, and constitutes the legal, valid and binding obligation of such Contributing Party, enforceable against such Contributing Party in accordance with its terms and, to the knowledge of Bitauto, against any other party thereto. Except as would not reasonably be expected to have a Material Adverse Effect, all rent and other sums and charges payable by the relevant Contributing Party as tenant thereunder are current, no notice of default or termination under any Transferred Lease is outstanding, no termination event or condition or uncured default on the part of the relevant Contributing Party or, to the knowledge of Bitauto, the landlord, exists under any Transferred Lease, and no event has occurred and no condition exists which, with the giving of notice, the lapse of time, or both, would constitute such a default or termination event or condition. The relevant Contributing Party owns such leasehold interests free and clear of all Encumbrances, subject to the terms and conditions of the Transferred Leases and applicable Laws.

(g) Fixed Assets. The Transferred Fixed Assets are in good condition and good working order (subject to normal wear and tear) and are suitable for the uses for which they are intended. No Contributing Party has received notice or has any knowledge of any pending or threatened proceeding affecting any of the Transferred Fixed Assets (or any portion thereof) or of any sale or other disposition of any of the Transferred Fixed Assets (or any portion thereof) in any material aspects.

(h) Transferred Employees

(i) No Contributing Party is a party to any collective bargaining agreement. There are no existing or, to the knowledge of Bitauto, threatened, labor strikes, disputes, grievances, arbitrations, union organizing efforts, picketing, handbilling, organized work stoppages, organized work slowdowns or other labor trouble or disputes involving any Transferred Employees that would reasonably be expected to have a Material Adverse Effect.

(ii) Except as expressly contemplated under the Restructuring Documents or existing employment contracts with the Transferred Employees, no Contributing Party has any obligation or liability whatsoever in respect of the employment of any Transferred Employee for any period prior to the Closing, including under any employee incentive plan, as a result of its execution of this Agreement or as a result of the completion of any of the Contemplated Transactions.

(i) Intellectual Property Rights. All Transferred IPs are owned by and registered or applied for solely in the name of the relevant Contributing Parties, is valid and subsisting and have not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. No Contributing Party or, to the knowledge of the Contributing Parties, any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Transferred IP to be invalid, unenforceable or not subsisting. Except as would not reasonably be expected to have a Material Adverse Effect, (a) no Transferred IP is the subject of any Encumbrance, license or other contracts granting rights therein to any other Person, (b) except for the registered trademark applications listed in the Asset List (the "Registered Trademark Applications"), no Transferred IP is subject to any proceeding or outstanding orders from any Governmental Authorities or settlement agreement or stipulation that restricts in any manner the use, transfer or licensing thereof, by any Contributing Party or affect the validity, use or enforceability of such Transferred IP and (c) no Contributing Party has transferred or assigned any Transferred IP; authorized the joint ownership of, any Transferred IP; or permitted the rights of any Contributing Party in any Transferred IP to lapse or enter the public domain. Other than as set out in the Asset List, the Key Holder does not own any other registered trademarks or have pending applications for trademarks in relation to the Used Automobile Business.

(j) Legal Actions and Orders. There are no legal actions in progress, pending or, to the knowledge of Bitauto, threatened, against the Used Automobile Business or the Contributed Assets that would reasonably be expected to have a Material Adverse Effect. None of the Used Automobile Business and the Contributed Assets are subject to any Orders that would reasonably be expected to have a Material Adverse Effect.

(k) Compliance with Legal Requirements. Each Contributing Party has, in connection with the execution and delivery of any Restructuring Document to which it is a party and the consummation of the Contemplated Transactions, complied with, and the Used Automobile Business and the Contributed Assets are and have been in material compliance with, all legal requirements, other than as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(l) Contributed Assets. The Asset List includes all of the assets, intellectual property rights, employees and Contracts that are currently used for the operation of the Used Automobile Business as currently operated, other than assets that are immaterial or unnecessary to the Used Automobile Business as a whole.

(m) Tax Filings. The relevant Contributing Party contributing Used Automobile Business to the Group has, and each Transferred Entity has, timely filed or caused to be filed all tax returns required to be filed by it, all such tax returns are true, correct and complete in all material respects. The relevant Contributing Party contributing Used Automobile Business to the Group has, and each Transferred Entity has, paid, or provided adequate reserves, for all deficiencies or other assessments of tax owed by it in respect of the Used Automobile Business. No unassessed tax deficiency has been proposed or threatened against the relevant Contributing Party contributing Used Automobile Business to the Group or against any Transferred Entity.

(n) Interested Party Transaction. Except as set forth in this Agreement, the BCA, the Control Documents or the agreements in connection with the issuance of the Series A Preference shares, the Series B Preference Shares and the Subject Shares, none of the officers or directors Bitauto, or any Affiliate thereof, has any contract, understanding proposed transaction with, or is indebted to, the Transferred Entities, nor are any Transferred Entities indebted (or committed to make loans or extend or guarantee credit) of any such persons or entities (other than for accrued salaries, reimbursable expenses or other standard employee benefits).

ARTICLE IV COVENANTS

Section 4.1 Change of Contributed Assets and Asset List.

(a) Unless otherwise consented by Tencent, the Parties agree that the Contributed Assets or the Asset List may not be changed after the date hereof, except for (i) a change of assets in exchange for other assets comparable or superior as to type, value and quality, (ii) any decrease of the market value or fair value of the Contributed Assets, (iii) as a result of voluntary resignation of any Transferred Employee or refusal by any Transferred Employee to execute employment agreement with the Company and/or its Subsidiaries, which shall not include the Key Employees to be transferred as listed in this Agreement or (iv) the change of a single item within the Asset List with an amount of less than RMB100,000 and the cumulative changes of multiple items of less than RMB300,000, provided that any such changes in subsections (i) to (iv) above shall not result in a Material Adverse Effect.

(b) From the date hereof until the completion of the transfer of 100% equity in the Transferred Subsidiary by Bitauto to the relevant Group Company, Bitauto shall ensure that the business of Transferred Entities is carried out in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve its relationships with customers, suppliers and others having business dealings relating to the business as currently operated.

Section 4.2 Restructuring Documents.

(a) The Parties shall, and the Company shall cause the Group Companies and Bitauto shall cause the Contributing Parties to, (i) negotiate in good faith the equity transfer agreement, assets transfer agreement, the intellectual property rights transfer or license agreement, the contract assignment agreement and other agreement or instrument necessary to effect the Restructuring in accordance with this Agreement (each, a "Restructuring Document" and collectively, the "Restructuring Documents"), which shall include the documents as set out Annex E and, upon agreement of the final form of such documents, Bitauto and the applicable Group Companies and the applicable Contributing Parties shall execute and deliver each such document and the Parties shall cooperate in good faith to permit the completion of such documentation in accordance with the terms hereof as promptly as reasonably practicable following the date hereof. Bitauto shall, and shall cause its Subsidiaries to complete the restructuring steps (as provided in Annex A) in accordance with this Agreement and the Restructuring Documents.

(b) For the avoidance of doubt, this Agreement shall be a Restructuring Document.

(c) In connection with the Restructuring, Bitauto shall bear, or shall reimburse the Group Companies for, (i) all tax liabilities of the Group Companies incurred in connection with the Restructuring, (ii) all historical tax liabilities resulting from or arising out of the period prior to the earlier of (x) the Restructuring Completion Date and (y) the date on which the Contributed Assets are transferred to the Company pursuant to the Restructuring Documents, and (iii) all obligations for severance or similar payments to or any social insurance or similar statutory payments in relation to the employees of the Used Automobile Business, if any, prior to the earlier of (x) the Restructuring Completion Date and (y) the date on which such employees are transferred to the Company pursuant to the Restructuring Documents.

Section 4.3 Covenants relating to Restructuring. Bitauto shall, and shall procure each of the Contributing Parties will, use its all reasonable efforts to:

- (a) satisfy the conditions to the Group Companies' obligations to consummate the Restructuring,
 - (b) obtain any Authorization required to consummate the Restructuring in accordance with the Restructuring Documents, and
-

(c) subject to Section 4.5, consummate the Restructuring as soon as practicable in accordance with the Restructuring Documents within twelve (12) months following the Closing (the "Restructuring Period", and the date on which the Restructuring is so consummated is the "Restructuring Completion Date"). If due to any consent, approval, order, license or authorization of, registration, certificate, declaration or filing with or notice to any Governmental Authority and due to the reasons not attributable to the Contributing Parties, the Restructuring cannot be consummated within the Restructuring Period, the Restructuring Completion Date shall be postponed and the Restructuring shall be extended accordingly provided that the Contributing Parties shall continue to use their all reasonable efforts to consummate the Restructuring as soon as possible. Except otherwise provided in this Section 4.3, the Restructuring Period shall not be extended unless the Company and Tencent gives their prior consent in writing.

Section 4.4 Contribution of assets after Closing

(a) Subject to Section 4.4(b) below, if there are any assets, intellectual property rights, employees or Contracts which are necessary and material for the operation of the Used Automobile Business and not included in the Asset List, Bitauto shall, and shall cause its Subsidiaries to, transfer such assets, intellectual property rights, employees and Contracts to the Company or the applicable Group Companies after the Closing Date, and shall notify Tencent in writing before any such transfer.

(b) Bitauto shall obtain Tencent's prior written approval before any transfer pursuant to Section 4.4(a) is effected if a proposed transfer by Bitauto or its Subsidiaries to the Company or the applicable Group Companies involves a transfer, assignment or assumption of any obligations or Liabilities by the Company or the applicable Group Companies which would result in an adverse effect to the Used Automobile Business.

Section 4.5 Non-Assignable Assets.

(a) None of Bitauto, the Contributing Parties, the Company or the Group Companies will be required to transfer any Contributed Assets which by its terms or by Law is not assignable or transferable without the consent or approval of any Governmental Authority or other third party or satisfaction of any other condition or is cancelable by a third party in the event of an assignment or transfer (a "Non-assignable Asset"), unless and until such consent or approval shall have been obtained or condition satisfied.

(b) Each of Bitauto, the Contributing Parties, the Company or the Group Companies shall use its all reasonable efforts to obtain as expeditiously as possible any consent or approval that may be required and to satisfy a condition necessary to the assignment or transfer of a Non-assignable Asset to the Group Companies.

(c) Unless and until any such consent or approval that may be required is obtained or condition satisfied, to the extent permitted by applicable Law and by the terms of the applicable Non-assignable Asset, each of Bitauto, the Contributing Parties, the Company or the Group Companies shall cooperate and use its all reasonable efforts to establish an arrangement under which the Group Companies would obtain the rights and benefits and assume the corresponding Liabilities and obligations under such Non-assignable Asset (including by means of any subcontracting, sublicensing or subleasing arrangement, as applicable) or under which Bitauto or the Contributing Parties would, at the reasonable request and at the costs and expenses of the Group Companies, enforce for the benefit of the Group Companies, in respect of such Non-assignable Asset, any and all claims, rights and benefits of Bitauto and the Contributing Party against a third party thereto. The foregoing arrangement shall not apply to a Transferred Employee.

(d) If and when the applicable consents or approvals, the absence of which caused the deferral of transfer of any Non-assignable Asset pursuant to this Section 4.5, are obtained, the transfer of the applicable Non-assignable Asset to the Group Companies shall automatically and without further action be effected in accordance with the terms of Restructuring Documents, and Bitauto shall be responsible for any such costs and expenses incurred in respect of such transfer.

(e) For any Non-assignable IP, Bitauto shall, or shall cause the Contributing Parties, to grant a perpetual, irrevocable, exclusive, free-of-charge, transferable and sub-licensable license in respect of each non-assignable IP to the relevant Group Companies in accordance with the terms of Restructuring Documents and Bitauto shall be responsible for any such costs and expenses incurred in respect of such license.

(f) For any Non-assignable Fixed Assets, Bitauto shall, or shall cause the Contributing Parties, to lease each non-assignable Fixed Assets in perpetuity at no cost to the relevant Group Companies in accordance with the terms of Restructuring Documents and Bitauto shall be responsible for any such costs and expenses incurred in respect of such lease other than the costs and expenses for maintenance of such Non-assignable Fixed Assets.

(g) For any Non-assignable Contract, the Parties shall discuss in good faith and agree upon the arrangement to ensure that the arrangements under this Section 4.5 can be applied to such Contract at no cost to the relevant Group Company, and Bitauto shall be responsible for any such costs and expenses incurred in respect of such lease.

Section 4.6 Tax Filings. The Company shall ensure that the Group Companies shall have completed all required tax filings pursuant to the applicable tax Laws of the PRC relating to the Restructuring and contribution of the Used Automobile Business and have paid all applicable taxes in full.

Section 4.7 Noncompetition. Following the date of the Closing, Bitauto shall and shall cause its Subsidiaries to comply with the Non-compete Undertakings as provided in the BCA.

Section 4.8 The Equity Transfer by Bitauto. As soon as practicable after the Closing and in any event at the earliest time such equity transfer is permitted by the relevant Governmental Authorities and within a shorter period of (i) three (3) years after the Closing or (ii) two years after a Qualified IPO (as defined in the Shareholders Agreement), subject to the applicable laws, each of the Company and Bitauto shall use its best efforts to complete the transfer of all the equity interests held by Bitauto to the Company in Dalian Rongxin Financing Guarantee Co., Ltd. (大连融鑫融资担保有限公司) and Shenyang Heping District Yifa Petty Loan Co., Ltd. (沈阳市和平区溢发小额贷款有限责任公司) on the terms approved by the board of the Company, and in any case the transfer price so approved shall be no higher than the acquisition costs or set-up costs (as applicable) of Bitauto.

Section 4.9 Transfer of Trademarks and Trademarks Applications. As soon as practicable after the Closing and in any event within twelve (12) months after the Closing or otherwise extended due to any consent, approval, order, license or authorization of, registration, certificate, declaration or filing with or notice to any Governmental Authority, the Company and Bitauto shall complete the transfer of all the registered trademarks and trademark applications as set forth in Annex F from Beijing Bitauto Information Technology Company Limited (北京易车信息科技有限公司). In the event that the transfer of the relevant registered trademarks is rejected by the Governmental Authority, Bitauto shall enter into a license agreement with the Company immediately following Bitauto's receipt of such rejection from the Governmental Authority, under which Bitauto shall grant the Company an exclusive, irrevocable, perpetual, free-of-charge, transferrable and sub-licensable license in relation to such trademarks. In the event that the transfer of the relevant trademark applications is rejected by the Governmental Authority, Bitauto shall enter into a license agreement with the Company within immediately following Bitauto's receipt of authorization announcement of the relevant trademarks from the Governmental Authority, under which Bitauto shall grant the Company an exclusive irrevocable, perpetual, free-of-charge, transferrable and sub-licensable license in relation to such trademarks.

ARTICLE V MISCELLANEOUS

Section 5.1 Disclosure Schedule References. The Parties agree that any reference in a particular Section of the Disclosure Schedule shall be deemed to be an exception to or, as applicable, a disclosure for purposes of (i) the representations and warranties, or covenants, as applicable, of the relevant Party that are contained in the corresponding Section of this Agreement and (ii) any other representations and warranties of such Party that is contained in this Agreement, regardless of the absence of an express reference or cross reference thereto, but only if the relevant disclosure is fully and fairly disclosed and the relevance of that reference as an exception to or a disclosure for purposes of such representations and warranties would be reasonably apparent. The Parties acknowledge and agree that the Disclosure Schedule may include certain items and information solely for informational purposes for the convenience of the Company, and the disclosure by the Company of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgment by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

Section 5.2 Governing Law; Arbitration. This Agreement shall be governed and interpreted in accordance with the internal laws of Hong Kong. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination (“Dispute”) shall be referred to and finally resolved by arbitration at the Hong Kong International Arbitration Centre in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules then in force. There shall be one arbitrator. The language to be used in the arbitration proceedings shall be English. Each of the Parties irrevocably waives any immunity to jurisdiction to which it may be entitled or become entitled (including without limitation sovereign immunity, immunity to pre-award attachment, post-award attachment or otherwise) in any arbitration proceedings and/or enforcement proceedings against it arising out of or based on this Agreement. The award of the arbitration tribunal shall be final and binding upon the Parties, and the prevailing Party may apply to a court of competent jurisdiction for enforcement of such award. Any Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitration tribunal.

Section 5.3 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties.

Section 5.4 Binding Effect. This Agreement shall be binding upon and inure solely to the benefit of, and be enforceable by, only the Parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 5.5 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned by the any Party without the express written consent of the other Parties.

Section 5.6 Entire Agreement. This Agreement (together with the schedules and exhibits hereto and other Restructuring Documents) constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby are merged and superseded by this Agreement and other Restructuring Documents.

Section 5.7 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from this Agreement in order to render the remainder of this Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 5.8 Confidentiality.

(a) Each Party shall keep confidential any non-public material or information with respect to the business, technology, financial conditions, and other aspects of the other Parties which it is aware of, or have access to, in signing or performing this Agreement (including written or non-written information, hereinafter the “Confidential Information”). Confidential Information shall not include any information that is (a) previously known on a non-confidential basis by the receiving Party, (b) in the public domain through no fault of such receiving Party, its Affiliates or its or its Affiliates’ officers, directors or employees, (c) received from a party other than the Company or the Company’s representatives or agents, so long as such party was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to the Company or (d) developed independently by the receiving Party without reference to confidential information of the disclosing Party. No Party shall disclose such Confidential Information to any third party.

(b) Each Party may disclose the Confidential Information only to its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives on a need-to-know basis in the performance of the this Agreement; provided that, such Party shall ensure such persons strictly abide by the confidentiality obligations hereunder.

(c) The confidentiality obligations of each Party hereunder shall survive the termination of this Agreement. Each Party shall continue to abide by the confidentiality clause hereof and perform the obligation of confidentiality it undertakes until the other Party approves release of that obligation or until a breach of the confidentiality clause hereof will no longer result in any prejudice to the other Party.

Section 5.9 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 5.10 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Delivery of executed signature pages by facsimile or electronic transmission (via scanned PDF) will constitute effective and binding execution and delivery of this Agreement.

Section 5.11 Fees and Expenses. Except otherwise provided herein, the Bitauto shall be responsible for all costs and expenses relating to the Restructuring and the provision of Traffic Support.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

BITAUTO HOLDINGS LIMITED

By: /s/ William Bin Li
Name: William Bin Li
Title: Director

[SIGNATURE PAGE TO CONTRIBUTION AGREEMENT]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

YIXIN CAPITAL LIMITED

By: /s/ Andy Xuan Zhang
Name: Andy Xuan Zhang
Title: CEO

[SIGNATURE PAGE TO CONTRIBUTION AGREEMENT]

Restructuring Plan and Timeline

The detailed steps of the Restructuring are summarized as below:

The capitalized terms used herein shall bear the following meanings. The other capitalized terms that are not specifically defined in this Annex A shall bear the same meanings as in the other provisions of this Agreement. The timeline set forth herein is indicative in nature.

Restructuring Steps and Sub-steps	Timeline	Note
<i>I. Transfer of 100% of outstanding shares of KKC Cayman to Yixin Capital Limited</i>		
<u>On or prior to the Closing:</u>		
1. Yixin Capital Limited and Bitauto Hong Kong Limited to enter into a share transfer agreement		
2. Completion of the relevant filing with the register office of KKC Cayman.		
<i>II. Transfer of Businesses to the Group Companies</i>		
<u>On or prior to the Closing:</u>		
3. Execution of Assets Transfer Agreement(s), Contract Assignment Agreement(s), Domain Name Transfer Agreement(s), Trademark Transfer Agreement(s), Trademark and Trademark Application License Agreement(s), Copyright Transfer Agreement(s), Patent Transfer Agreement, Cars Lease Agreement(s)		
4. Transfer of Transferred Fixed Assets		Transfer taking effective upon execution of relevant transfer agreement.
5. Transfer of Transferred Software Copyrights		Transfer taking effective upon execution of relevant transfer agreement.
6. Transfer of Key Employees		
7. Transfer of Transferred Database		Transfer taking effective upon execution of relevant transfer agreement

Restructuring Steps and Sub-steps	Timeline	Note
8. Transfer of Transferred Domain Names not subject to ICP filings		
9. Submit filing for transfer of Transferred Registered Trademarks and Trademark Applications		Notice for acceptance of the applications from the Trademark Office is not available prior to or on the Closing
<u>After the Closing:</u>		
10. Transfer of Transferred Employees (other than Key Employees that are already transferred)	2 months	Subject to consent of each Transferred Employee
11. Transfer of Transferred Leases	2 months	Subject to consent of the lessor of each Transferred Lease
12. Completion of Transferred Domain Names subject to ICP filings	20 Business Days	
13. Completion of Transfer of Transferred Registered Trademarks and Trademark Applications	6-12 months	Subject to approval of the trademark office
14. Completion of registration of transfer of Transferred Software Copyrights	30 Business Days	
15. Completion of transfer of Transferred Patents	2-3 months	Subject to approval of the intellectual property office
16. Transfer of Transferred Contracts	3-6 months	Subject to consent of the lessor of each Transferred Lease

VOTING AGREEMENT

THIS VOTING AGREEMENT (the "Agreement") is made and entered into as a deed as of October 31, 2017 by and among:

Tencent Holdings Limited, a company incorporated under the laws of the Cayman Islands ("Tencent");

JD.com, Inc., a company incorporated under the laws of the Cayman Islands ("JD"); and

Bitauto Holdings Limited, a company incorporated under the laws of the Cayman Islands ("Bitauto" or the "Proxyholder");

Each of Tencent, JD and Bitauto is referred to as a "Party" and collectively as the "Parties." Each of Tencent and JD is referred to as an "Investor" and collectively as the "Investors."

RECITALS

A. The Parties and/or certain Controlled Affiliates of Parties are the holders of certain preference shares of Yixin Group Limited (the "Company"), par value US\$0.0001 per share and such holders are parties to the Shareholders Agreement of the Company dated May 26, 2017 (the "Shareholders Agreement").

B. Pursuant to the Shareholders Agreement, each shareholder of the Company shall take all actions which are commercially reasonable to ensure that the financial results of the Group Companies will be consolidated into the Bitauto's financial statements.

C. In order for the Group Companies to remain consolidated with Bitauto after the consummation of a Qualified IPO, each Party is entering into this Agreement, which requires, among other things, during the term of this Agreement as specified in Section 6.1 hereof (the "Proxy Term"), each Investor to grant, or cause its Controlled Affiliate to grant, to the Proxyholder the right to vote certain number of ordinary shares as specified in Schedule 1 (subject to the adjustment set out in Schedule 1) that each Investor and/or its Controlled Affiliate will hold after the consummation of a Qualified IPO, including the ordinary shares of the Company (on an as-converted basis) acquired by such Investor and/or its Controlled Affiliate after the date hereof and before the consummation of a Qualified IPO (the "Subject Shares"), in the manner set forth herein.

D. In addition to the grant of voting proxy as described above, the Parties also desire to enter into an agreement in connection with election or appointment of certain members of the board of directors of the Company (the "Board").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions

Capitalized terms not otherwise defined in this Agreement shall have the meaning ascribed to them in the Shareholders Agreement.

The following terms used in this Agreement shall be construed to have the meaning set forth or referenced below.

“Agreement” has the meaning set forth in the preamble.

“Board” has the meaning set forth in the recitals.

“Bitauto” has the meaning set forth in the preamble.

“Cause” means, with respect to a director of the Board, any of the following: (i) an order is made by any competent court or official on the grounds that such director (x) is or may be suffering from mental disorder or is otherwise incapable of managing his or her affairs or (y) is convicted of a crime involving fraud, dishonesty, false statements or moral turpitude; (ii) such director is absent (without being represented by proxy) from meetings of the Board for a continuous period of 12 months without special leave of absence from the Board; (iii) such director becomes bankrupt, has a receiving order made against him or her or makes any arrangement or composition with his or her creditors generally; and (iv) such director ceases to be or is prohibited from being a director by applicable Law.

“CCASS” means the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited.

“Company” has the meaning set forth in the preamble.

“Controlled Affiliate” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, is Controlled by such specified Person. For the purpose of this Agreement, the Company is not a Controlled Affiliate of any of Parties.

“Designated Director” means any of Bitauto’s Designees, Tencent’s Designees and JD Designee.

“JD” has the meaning set forth in the preamble.

“JD Designees” has the meaning set forth in Section 3.1(b).

“Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time.

“Lock-up Shares” means the ordinary shares of the Company held by Bitauto and/or its Controlled Affiliate representing 10% of the total issued share capital of the Company from time to time.

“Party” has the meaning set forth in the preamble.

“Proxyholder” has the meaning set forth in the preamble.

“Representative” means the chairman of the board of directors of the Proxyholder.

“Remaining Shares” means the total number of the ordinary shares of the Company that each of the Investors and/or their Controlled Affiliates will hold immediately upon the consummation of a Qualified IPO (as adjusted in the event there is any subsequent sale of such shares by the Investors and/or their Controlled Affiliates during the term of this Agreement) minus the Subject Shares held by each of the Investors and/or their Controlled Affiliates.

“Subject Shares” has the meaning set forth in the recitals.

“Shareholders Agreement” has the meaning set forth in the recitals.

“Tencent” has the meaning set forth in the preamble.

“Tencent Designees” has the meaning set forth in Section 3.1(a).

Section 2. Voting of Subject Shares

Section 2.1 Subject to the Proxyholder’s complying with the terms of this Agreement, each Investor hereby agrees that solely for the purpose of consolidating the financial results of the Group Companies with the Bitauto’s financial statements, during the Proxy Term, the Proxyholder shall have the right to vote the Subject Shares, in its sole discretion, on all matters submitted to a vote of shareholders of the Company at a meeting of shareholders, except the matters in respect of which the Proxyholder is required to abstain from voting pursuant to the Listing Rules or any other applicable laws and rules (including the applicable Cayman Islands laws and rules with respect to the corporate governance). In the event that the aggregate number of the ordinary shares of the Company that the Investor and/or its Controlled Affiliate hold becomes less than the Subject Shares as specified in Schedule 1, the Subject Shares shall be adjusted accordingly and shall be equivalent to all the then ordinary shares of the Company that such Investor and/or its Controlled Affiliate will hold.

Section 2.2 Grant of Proxy. To secure each Investor’s and/or its Controlled Affiliate’s obligations to vote the Subject Shares in accordance with this Agreement, each Investor appoints the Proxyholder and its Representative, without any power of substitution, during and for the Proxy Term, as such Investor and/or its Controlled Affiliate’s true and lawful attorney in fact and proxy which are irrevocable by reason of being coupled with the interest, for and in such Investor and/or its Controlled Affiliate’s name, place and stead, to vote the Subject Shares and act for the Investor and/or its Controlled Affiliate as such Investor’s and/or its Controlled Affiliate’s proxy, at any annual, special or other meeting of the shareholders of the Company called to vote, and at any adjournment or postponement thereof, in each case subject to the limitations set forth in this Agreement.

Section 2.3 Exercise of Voting Rights. With respect to any proposed exercise of the voting rights granted under this Agreement, the Proxyholder shall provide written notice to each Investor or its applicable Controlled Affiliate as promptly as practicable prior to any shareholders’ meeting at which such matter is to be voted upon, or as promptly as reasonably practicable upon the Proxyholder becoming aware that a meeting will be held (if shorter notice of a meeting has been given to the Proxyholder); provided that the Proxyholder shall be deemed to have satisfied his obligation under this sentence if each Investor or its applicable Controlled Affiliate has received prior notice of such meeting in accordance with applicable Law. The Proxyholder shall exercise the power of attorney granted by the Investor herein in accordance with applicable laws, shall consult each of the Investors and/or its applicable Controlled Affiliate but shall not be bound by the instructions of the Investor and/or its applicable Controlled Affiliate and shall not be obliged to exercise the voting rights on behalf of the Investor and/or its applicable Controlled Affiliate.

Section 2.4 Proxyholder Liability. In voting the Subject Shares in accordance with Section 2.1 hereof, the Proxyholder and its Representative shall not be liable for any error of judgment nor for any act done or omitted, nor for any mistake of fact or law nor for anything which the Proxyholder or the Representative may do or refrain from doing in good faith in accordance with this Agreement, except for willful misconduct, fraud or gross negligence. In the case of any such willful misconduct, fraud or gross negligence, the Proxyholder shall indemnify, defend and hold harmless each of the Investors from and against any and all claims, losses, damages, liabilities, obligations, fees or expenses (including reasonable attorneys' fees and expenses) sustained or incurred by such Investor in connection with, arising out of, or as a result thereof.

Section 2.5 Covenants.

(a) Each Investor hereby covenant and agree that prior to the expiry of the Proxy Term, the Investor shall not and shall cause its applicable Controlled Affiliate not to (i) grant any proxy, power of attorney or other authorization in or with respect to any of the Subject Shares owned by the Investor and/or its Controlled Affiliate; (ii) deposit any of the Subject Shares owned by the Investor and/or its Controlled Affiliate into any voting trust or enter into any voting agreement or other understanding or arrangement with respect to the voting rights of such Subject Shares; or (iii) take any other action which would have the effect of preventing or disabling the Investor and/or its Controlled Affiliate from performing its obligations under this Agreement.

(b) If (i) the base offering size of the Qualified IPO (excluding the over-allotment option) is below 10%; (ii) the over-allotment option of the Qualified IPO is not exercised in full; and/or (iii) the shareholding of Bitauto and/or its Controlled Affiliate in the Company increases after the effectiveness of this Agreement, the Parties shall discuss to downward adjust the number of the Subject Shares proportionately.

Section 3. Voting Agreements Regarding the Board

Section 3.1 Designated Directors.

During the Proxy Term, the Proxyholder agrees to vote, or cause to be voted, all Shares owned by such Person, or over which such Person has voting control, from time to time and at all times, in whatever manner as shall be necessary to cause the election to the Board (but subject to the directors of the Company complying with their fiduciary duties), of:

(a) the individual(s) designated by Tencent for nomination or appointment as director(s) of the Company from time to time (each individual, a "Tencent Designee" and collectively, "Tencent Designees"). The aggregate number of Tencent Designees shall be:

(i) two (2) so long as the Tencent Percentage (as defined below) is at least 20%; and

(ii) one (1) so long as the Tencent Percentage (as defined below) is at least 10%,

with the “Tencent Percentage” meaning (x) the percentage of shares of the Company held by Tencent and its Affiliates over the total issued and outstanding ordinary shares of the Company, plus (y) the Indirect BITA Percentage (Tencent) (as defined below). The “Indirect BITA Percentage (Tencent)” means (x) the percentage of shares of the Company held by Bitauto and its Affiliates (including without limitation to Bitauto Hong Kong Limited) over the total issued and outstanding ordinary shares of the Company, multiplied by (y) the percentage of shares of Bitauto held by Tencent and its Affiliates (including without limitation to Dongting Lake Investment Limited, THL E Limited and Morespark Limited) over the total issued and outstanding shares of Bitauto.

(b) the individual designated by JD for nomination or appointment as director of the Company from time to time (such individual, a “JD Designee”), so long as the JD Percentage (as defined below) is at least 10%, with the “JD Percentage” meaning (x) the percentage of shares of the Company held by JD and its Affiliates over the total issued and outstanding ordinary shares of the Company, plus (y) the Indirect BITA Percentage (JD) (as defined below). The “Indirect BITA Percentage (JD)” means (x) the percentage of shares of the Company held by Bitauto and its Affiliates (including without limitation to Bitauto Hong Kong Limited) over the total issued and outstanding ordinary shares of the Company, multiplied by (y) the percentage of shares of Bitauto held by JD.com, Inc. and its Affiliates (including without limitation to JD.com Global Investment Limited) over the total issued and outstanding shares of Bitauto.

(c) To the extent that any of Sections 3.1 (a) or (b) above shall cease to be applicable as such Party is not entitled to nominate an individual for election as a director according to Section 3.1 (a) or (b) (as applicable) any longer, Such Party shall cause the director who would otherwise have been designated in accordance with the terms thereof to resign with immediate effect, unless the Board determines otherwise.

Section 3.2 Director Votes.

Each of the Parties undertakes and each Party shall cause its Controlled Affiliate to cause the directors appointed or nominated by such Parties to vote or execute consents, and take all other necessary or desirable actions (including without limitation attending all meetings of the Board in person or by proxy for purposes of obtaining a quorum but, in each case, only to the fullest extent permitted in accordance with fiduciary duties and any other applicable law) to (i) cause each of the Designated Directors to be designated for appointment or nomination to the Board, including to fill any vacancies, at any meeting of the Board at which a vote is held to appoint or nominate a director or otherwise pursuant to any written consent of the Board, and to call an annual general meeting or extraordinary general meeting of shareholders of the Company to elect the Designated Directors to the Board and (ii) prevent the removal of any Designated Director unless (i) such Party is directed to do so by the Party that designates the Designated Directors (the “Designating Shareholder(s)”) in writing, and if so directed by the Designating Shareholder(s), to cause such removal and the appointment or nomination of a replacement Designated Director to be designated by the Designating Shareholder(s) in writing or (ii) for Cause, and in such event, to cause the appointment or nomination of a replacement Designated Director to be designated by the Designating Shareholder(s) in writing; provided, however, that each Party shall cause the Company to enter into a customary indemnification agreement with each of the Designated Directors.

Section 3.3 Failure to Designate a Board Member.

In the absence of any designation from a Party with the right to designate a director as specified hereunder, any such undesignated director seat shall remain vacant until such designee is chosen, and the remaining members of the Board shall continue to operate as a fully functioning Board and such vacancy shall not affect the constitution of the quorum of the Board meeting.

Section 4. Right of First Offer

Section 4.1 Offering Notice.

If, during the Proxy Term, any Investor or its Controlled Affiliate (a “**Selling Shareholder**”) proposes to sell or transfer all or any portion of the Remaining Shares held by it other than sale to such Selling Shareholders’ Affiliate or Bitauto, it must first offer to sell or transfer (the “**Offer**”) such Subject Shares to Bitauto (the “**Offeree**”) by serving a written offer notice (the “**Offering Notice**”) on it, which notice shall set forth:

- (a) the number of Subject Shares proposed to be sold or transferred (the “**Offered Shares**”);
- (b) the proposed sale price per Subject Share for the Offered Shares (the “**Offer Price**”); and
- (c) all other material terms and conditions of the proposed sale or transfer.

Upon service of the Offering Notice, such Offer shall be irrevocable.

Section 4.2 Option; Exercise.

(a) The Offer shall be open for acceptance by the Offeree for a period of five (5) Business Days after the receipt by the Offeree of the Offering Notice (the “**Offer Period**”), and the Offeree shall have the right to purchase all but not less than all of the Offered Shares at a purchase price per Subject Share equal to the Offer Price and upon the same terms and conditions set forth in the Offering Notice.

(b) In the event that the Offeree shall elect to accept the Offer to purchase all of the Offered Shares, the Offeree shall serve a written notice on the Selling Shareholder to accept the Offered Shares that the Offeree is electing to purchase (“**Sale Shares**”). Such notice shall be received or deemed received by the Selling Shareholder prior to midnight of the last Business Day of the Option Period. The Offeree may designate one or more of its Affiliates to take up all of the Sale Shares under this Section 4, and, in such an event, the provisions under this Section 4 shall apply *mutatis mutandis* to such Affiliates. If the Offeree fails to give the Selling Shareholder the above notice within the Offer Period, the Offeree will be deemed to have given a notice that it does not elect to purchase the Offered Shares.

Section 4.3 Closing.

The closing of the purchase of the Sale Shares (the “**ROFO Closing**”) shall take place at such time and place as agreed by the Selling Shareholder and the Offeree but in any event no later than the seventh (7th) Business Day after receipt or deemed receipt of the Offeree’s written notice under Section 4.2(b) by the Selling Shareholder (or such other time as mutually consented to by the Selling Shareholder and the Offeree and such consent shall not be unreasonably withheld). At the ROFO Closing, the Selling Shareholder shall deliver such documents as required by the Offeree to transfer the legal and beneficial interests in the Sale Shares purchased by the Offeree from the Selling Shareholder to the Offeree and/or the Offeree’s designated Affiliates, including depositing the Sale Shares into an account of the relevant CCASS participant in accordance with the Offeree’s directions, if applicable. The Offeree shall make at the ROFO Closing payment in full in immediately available funds for the Sale Shares. At the ROFO Closing, all of the parties to the transaction shall execute such additional documents as are otherwise necessary or appropriate to give effect to such sale or transfer.

Section 4.4 Sale to a Third Party.

(a) If the Offeree does not elect to purchase the Offered Shares (the “**Unsold Shares**”), the Selling Shareholder may offer to sell the Unsold Shares to any third party at a price and on the terms and conditions no more favourable than those of the Offer within sixty (60) Business Days after the ROFO Closing (if the Offeree has elected to purchase some of the Offered Shares) or after the date on which the Offeree has expressly waived its right to purchase or has elected not to purchase any of the Offered Shares. If the Selling Shareholder fails to complete such sale or transfer within the aforesaid period stipulated in the preceding sentence, no sale or transfer of such Unsold Shares or any part thereof may be made thereafter by the Selling Shareholder without again first offering the same to the Offerees in accordance with the provisions of this Section 4.

(b) During the Proxy Term, any Investor or its Affiliate shall have the right to sell or otherwise transfer any Remaining Shares in accordance with this Section 4 and applicable laws and rules. Without the prior consent from Bitauto, any Investor or its Affiliate shall not sell or otherwise transfer any Subject Shares during the Proxy Term. Notwithstanding any other provisions hereunder, any shares of the Company held by any Investor from time to time that are not Subject Shares or Remaining Shares, at any time including any shares of the Company that the Investors and/or their Controlled Affiliates purchase or otherwise acquire after the Qualified IPO, shall not be subject to any restrictions or undertakings in this Agreement.

Section 5. Lock-up Undertaking.

Save for the lending of shares pursuant to the stock borrowing agreement (as defined in the prospectus to be issued by the Company), during the term of Proxy Term, without the prior written consent of the Investors, Bitauto shall not, and shall procure that its Controlled Affiliates will not:

(a) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, the Lock-up Shares;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of the Lock-up Shares, or any interest therein;

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or contract to or agree to announce, or publicly disclose that it will or may enter into any such transaction described in paragraphs (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Lock-up Shares, in cash or otherwise (whether or not the settlement or delivery of such Lock-up Shares will be completed within the term of this Agreement) unless otherwise required by the Listing Rules or the applicable laws.

Section 6. Miscellaneous.

Section 6.1 Term.

This Agreement shall be effective as of the date of consummation of a Qualified IPO and shall continue in effect until and shall terminate upon the earliest of (i) the second anniversary of the consummation of a Qualified IPO, (ii) Bitauto and/or its Affiliate's holding an aggregate number of more than 50% of the ordinary shares of the Company whereby Bitauto is able to consolidate the financial results of the Group Companies into Bitauto's financial statements, and (iii) the aggregate number of the ordinary shares of the Company held by Bitauto and/or its Affiliate plus the Subject Shares accounting for less than 50% (inclusive) of the ordinary shares of the Company whereby Bitauto is not able to consolidate the financial results of the Group Companies into Bitauto's financial statements any longer, unless otherwise unanimously agreed by the parties hereof in writing.

Section 6.2 Further Assurances.

The parties agree to (a) execute and deliver to each other such other documents and (b) do such other acts and things as a party may reasonably request for the purpose of carrying out the intent of this Agreement, and the documents to be delivered pursuant to this Agreement.

Section 6.3 Entire Agreement.

This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to the subject matter of this Agreement.

Section 6.4 Amendment.

This Agreement may only be amended, supplemented, or otherwise modified by the Parties in writing.

Section 6.5 Assignments and Successors.

The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

Section 6.6 No Third-Party Rights.

Other than the Parties hereto and their respective successors and assigns, no person who is not a party to this Agreement shall have any right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of, or enjoy any benefit under, this Agreement.

Section 6.7 Specific Enforcement.

The Parties hereto acknowledges and agrees that the Parties hereto would be irreparably harmed if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by the any Party hereto could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which a Party hereto may be entitled at law or in equity, such party shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to obtain temporary, preliminary, and permanent injunctive relief to prevent breaches or threatened breaches, without posting any bond or giving any other undertaking.

Section 6.8 Remedies Cumulative.

The rights and remedies of the parties are cumulative and not alternative.

Section 6.9 Governing Law.

This Agreement shall be governed by and construed under the Laws of Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), without regard to principles of conflict of laws thereunder.

Section 6.10 Dispute Resolution.

Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or invalidity thereof, shall, so far as it is possible, 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 6.10. The appointing authority shall be Hong Kong International Arbitration Centre ("HKIAC"). The seat of the arbitration shall be Hong Kong. There shall be three (3) arbitrators. The Party initiating the arbitration, on the one hand, and the other parties against which arbitration is brought, on the other hand, shall be entitled to designate one arbitrator each. The two arbitrators shall consult with each other to agree upon the selection of a third arbitrator. The arbitration shall be conducted in the English language. Evidence and testimony may be presented in any language, including a language other than English providing it is accompanied by an English translation thereof (which translation shall have been certified and prepared or given at the sole cost of the Party offering such evidence or testimony). The arbitral award shall be in English writing and, unless the parties to the arbitration agree otherwise, shall state the reasons upon which it is based. The award shall be final and binding on the parties to the arbitration.

Section 6.11 Attorney's Fees.

In the event any claim, action, suit, proceeding, arbitration, complaint, charge or investigation is brought in respect of this Agreement or any of the documents referred to in this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred in such Proceeding, in addition to any relief to which such party may be entitled.

Section 6.12 No Waiver.

Neither any failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable laws, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be waived by a Party, in whole or in part, unless made in a writing signed by such Party; (b) a waiver given by a Party will only be applicable to the specific instance for which it is given; and (c) no notice to or demand on a Party will (i) waive or otherwise affect any obligation of that Party or (ii) affect the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

Section 6.13 Notices.

All notices and other communications required or permitted by this Agreement shall be in writing and will be effective, and any applicable time period shall commence, when (a) delivered to the following address by hand or by a nationally recognized overnight courier service (costs prepaid) addressed to the following address or (b) transmitted electronically to the following facsimile numbers or e-mail addresses, in each case marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number, e-mail address, or Person as a Party may designate by notice to the other parties):

Bitauto

New Century Hotel Office Tower 6/F
No. 6 South Capital Stadium Road
Beijing, 100044
The People's Republic of China
Attention: Cynthia He
Facsimile: (86 10) 6849-2200

Tencent

c/o Tencent Holdings Limited
29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong
Attention: Compliance and Transactions Department
E-mail: legalnotice@tencent.com

JD

JD.com, Inc.
21/F, Building A, No.18 Kechuang 11th Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing
101111, PRC
Attention: Legal Department (Mergers and Acquisitions Group)
Email: legalnotice@jd.com

Section 6.14 Severability.

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

Section 6.15 Time of Essence.

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

Section 6.16 Counterparts and Electronic Signatures.

(a) This Agreement and other documents to be delivered pursuant to this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties.

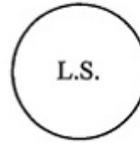
(b) A manual signature on this Agreement or other documents to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or other documents to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such other document for all purposes.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Investors and the Proxyholder have caused this Voting Agreement to be duly executed, sealed and delivered as a deed as the day and year first above written.

PROXYHOLDER

EXECUTED, SEALED and DELIVERED)
as a deed by and in the name of **BITAUTO**)
HOLDINGS LIMITED by its duly)
authorised attorney)
in the presence of:-



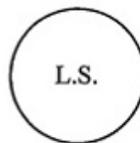
/s/ Witness
Signature of Witness:
Name of Witness: Huguette Hu
Address: Building 20, No. 56 Antuo Road
Anting Town, Jiading
Shanghai
PRC

/s/ Bin Lin
Signature of Authorised attorney

[Signature Page to Voting Agreement]

INVESTOR

EXECUTED, SEALED and DELIVERED)
as a deed by and in the name of **TENCENT**)
HOLDINGS LIMITED by its duly)
authorised attorney
in the presence of:-



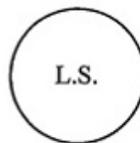
/s/ Peng Yanan
Signature of Witness:
Name of Witness: Peng Yanan
Address: 38F, Tencent Building, No. 10000
Shennan Avenue, Shenzhen

/s/ Na Huateng
Signature of Authorised attorney

[Signature Page to Voting Agreement]

INVESTOR

EXECUTED, SEALED and DELIVERED)
as a deed by and in the name of **JD.COM,**)
INC. by its duly authorised attorney)
in the presence of:-



/s/ Liu Juexi
Signature of Witness:
Name of Witness: Liu, Juexi
Address: 21F, Building A, Headquarters
of JD.com Group, Beijing

/s/ Liu Qiangdong
Signature of Authorised attorney

[Signature Page to Voting Agreement]

Investor	Schedule 1	Number of Subject Shares*
Tencent		6.67% of the total issued and outstanding shares upon the consummation of the Qualified IPO
JD		3.33 % of the total issued and outstanding shares upon the consummation of the Qualified IPO.

* The number is based on the assumption of the 10% offering size of the Qualified IPO with full over-allotment exercised. The Remaining Shares held by Tencent and JD upon the consummation of the Qualified IPO will account for approximately 13.85% and 7.37% of the total ordinary shares of the Company, respectively.

If (i) the base offering size of the Qualified IPO (excluding the over-allotment option) is below 10%; (ii) the over-allotment option of the Qualified IPO is not exercised in full; or (iii) the shareholding of Bitauto and/or its Controlled Affiliate in the Company increases after the effectiveness of this Agreement, the number of the Subject Shares shall be adjusted downward proportionately. If there is any subsequent sale of any Subject Shares by an Investors and/or its Controlled Affiliates upon the prior consent of Bitauto, the number of the Subject Shares of such Investor shall be adjusted downward accordingly.

Current Control Documents Termination Agreement

By and among

Beijing Bitauto Internet Information Co., Ltd.

Beijing C&I Advertising Co., Ltd.

Beijing Bitauto Information Technology Co., Ltd.

Bin LI

and

Weihai QU

June 26, 2017

Beijing, China

This Current Control Documents Termination Agreement (this “**Agreement**”) is executed by and among the following parties as of June 26, 2017 in Beijing:

Party A: Beijing Bitauto Internet Information Co., Ltd. (hereafter referred to as “**BBII**”), a wholly foreign owned enterprise, organized and existing under the laws of the People’s Republic of China (“**PRC**”), whose registered office is at 10th Floor, No. 3 Office Building, Beijing New Century Hotel, No.6 Beijing Capital Stadium South Road, Haidian District, Beijing.

Party B: Beijing C&I Advertising Co., Ltd. (hereafter referred to as “**CIG**”), a limited liability company organized and existing under the laws of the PRC, whose registered office is at Room 01-11, 27th Floor, Tengda Building, No. 168 Xizhimen Street, Haidian District, Beijing.

Party C:

Party C1: **Beijing Bitauto Information Technology Co., Ltd.** (hereafter referred to as “**BBIT**”), a limited liability company duly organized and existing under the laws of PRC, whose registered office is at Room 657, 6th Floor, Beijing New Century Hotel Office Building, No. 6 Beijing Capital Stadium South Road, Haidian District, Beijing.

Party C2: **Bin LI**, a national of the PRC, whose Identification No. is: ; and

Party C3: **Weihai QU**, a national of the PRC, whose Identification No. is:

In this Agreement, each of Party A, Party B and Party C is separately referred to as a “**Party**”, and collectively as the “**Parties**”.

WHEREAS:

1. Bitauto Holding Limited (hereinafter referred to as “**Bitauto Holding**”) indirectly holds 100% equity interests in Party A. Certain companies, including Party B and Party C1 are under the control of Party A by and through a series of control documents, which constitutes variable interest entity structure (hereafter referred to as “**VIE Structure**”) for the offshore listing of Bitauto Holding. Under the VIE Structure, the Parties have entered into transaction documents as set forth in Schedule A (hereinafter collectively referred to as the “**Current Control Documents**”).
-

2. The Parties agree to terminate all of the Current Control Documents in accordance with the terms and conditions of this Agreement, dismantling the VIE Structure between Party A and Party B. Along with the dismantlement, Party C enters into an equity interest transfer agreement with Party A to transfer all the equity interests it holds in Party B to Party A (hereinafter referred to as the "Equity Interest Transfer").

Now therefore, on the principle of equality and mutual benefit and through amiable negotiation, the Parties hereto agree as follows:

1. Termination of Current Control Documents

- 1.1 Party A, Party B and Party C hereby irrevocably agree and confirm that all and/or any of the Current Control Documents shall be terminated and cease to have any effect as of the date of this Agreement. In terms of the Equity Interest Pledge Agreement set out in Schedule A, the Parties shall, in accordance with the equity interest transfer agreement made by and between Party A and Party C, immediately initiate the cancellation registration of the pledge registered in the register of members of Party B, and the procedures of extinguishing the pledge in relevant administrative department of industry and commerce.
 - 1.2 As of the date of this Agreement, the Parties hereby surrender any right granted by all and/or any of the Current Control Documents and shall be discharged of any obligation under all and/or any of the Current VIE Contracts.
 - 1.3 The Parties of this Agreement hereby irrevocably and unconditionally release other Parties against any action, dispute, claim, requirement, right, obligation, responsibility, act, contract or cause of action of any kind or character related to, directly or indirectly, or caused by all and/or any of the Current Control Documents, which the Parties are or may be entitled to in the past, the present or in the future.
 - 1.4 Without prejudice to the general provisions of Section 1.3 as above, from the effective date of this Agreement, the Parties hereby release other parties of this Agreement, the directors, executives, employees, legal counsel and agents in the past and the present, the affiliates, successors and assigns of such person respectively against any commitment, liability, action, claim, obligation and responsibility of any kind or character related to or caused by all and/or any of the Current Control Documents, including claims and cause of action pursuant to applicable laws and based upon the principle of equality, which such party, its heirs, successors, assigns or executors of estate are or may be entitled to in the past, currently or in the future, no matter such claims or demands has been raised or not, absolute or contingent, known or unknown.
-

2. Representations and Warranties

Each party hereby jointly and severally represents and warrants to other parties as of the date of this Agreement that:

- 2.1 As for legal person, each Party is a company duly organized, validly existing and in good standing under, or by virtue of the laws of the PRC; as for natural person, each Party is a natural person with full capacity for civil conduct.
- 2.2 Each Party is entitled to or has requisite power or authority to execute this Agreement.
- 2.3 No approval, consent, order, license, authorization or act of any governmental institution, or registration, qualification, appointment, announcement of any governmental institution or declaration or notice procedure of such governmental institution with respect to any Party is required in connection with its valid execution and performance of this Agreement.
- 2.4 The execution and performance of this Agreement will not result in any conflict, restriction, violation or default of any regulation, agreement or any judgment, decision, order, writ, injunction or decree issued by any court, governmental institution, administrative institution or arbitrator which is binding upon or has any effect on such Party.
- 2.5 This Agreement when executed by any Party shall be valid and legal binding obligations of such Party, enforceable against such Party in accordance with its terms.
- 2.6 There is no litigations, arbitrations, legal proceedings, administrative proceedings or other proceedings or investigations relating to the subject matter of this Agreement pending or currently threatened against any Party.
- 2.7 There is no fact or condition related to the subject matter of this Agreement that any Party have not disclosed to other Parties and that has had or would reasonably be expected to affect other Parties' decision on entering into this Agreement once such facts or conditions are disclosed.

3. Covenants

- 3.1 To complete the termination of rights and obligations under the Current Control Documents, the Parties shall execute any and all necessary or appropriate documents for the performance of this Agreement, and take any and all necessary or appropriate actions to make best efforts to cooperate with other parties in acquiring relevant government approval or/and registration documents with administration of industry and commerce and department of taxation and handling relevant procedures of cancellation, termination and/or changes.
 - 3.2 Unless otherwise provided herein, Party C undertakes to strictly comply with the provisions of the Current Control Documents during the period from the date of the execution of this Agreement to the closing date of Equity Interest Transfer under the equity interest transfer agreement. Furthermore, except for the transfer of equity interests in Party C in accordance with this Agreement and equity interest transfer agreement, Party C shall not dispose of equity interests it holds in Party B or create any encumbrance or any other third party rights interest on such equity interests without prior written consent of Party A.
 - 3.3 Party C hereby undertakes to pay relevant taxes.
-

4. Liability for Default

4.1 After this Agreement becomes effective, each party shall, comprehensively, appropriately and timely, fulfill its obligations and perform this Agreement in accordance with provisions of this Agreement. In the event that any 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 resulting from such breach.

4.2 No party's liability for breach of this Agreement shall be exempted as a result of the termination of this Agreement.

5. Confidentiality

The Parties acknowledge and confirm 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 shall be deemed as confidential information. Each Party shall keep such confidential information strictly confidential, and shall not disclose any confidential information to any third party without the written consent of other Parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the shareholders, director, employees of or agents engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

6. Governing Law and Resolution of Disputes

6.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of PRC.

6.2 If there is any dispute, claim, termination or void (hereafter referred to as "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 any Party's request to other Parties 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 arbitration rules in force at the time of the commencement of the arbitration. The language of the arbitration shall be Chinese. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all Parties. The arbitration fees shall be determined by arbitration award.

6.3 Upon the occurrence of any Dispute arising out of 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 hereunder and perform their respective obligations hereunder.

6.4 In any arbitral procedure, legal procedure of enforcing any arbitration award and any lawsuits caused by or related to this Agreement among the Parties, each Party hereby waive the pleading of sovereign immunity and any other pleading claimed based on the fact of being agents or institutions of a sovereign country.

7. Expenses

Unless otherwise provided therein, each Party shall bear any and all of their own legal, accounting and other fees and expenses incurred or levied in connection with the preparation, execution and performance of this Agreement according to PRC laws.

8. Notices and Delivery

All notices and other official communications required to be given pursuant to this Agreement shall be in writing and delivered in person or sent by registered mail, fax or email to the address of each Party set forth below.

8.1 To CIG and Weihai QU

Address: Room 01-11, 27th Floor, Tengda Building, No. 168 Xizhimen Street, Haidian District, Beijing

Fax: (86)010-68393666

Email:

Attn: Min WANG

8.2 To BBIT and Bin LI

Address: Room 657, 6th Floor, Beijing New Century Hotel Office Building, No. 6 Beijing Capital Stadium South Road, Haidian District, Beijing

Fax: (86)010-68492200

Email:

Attn: Xiangzhi KONG

8.3 To BBII

Address: 10th Floor, No.3 Office Building, Beijing New Century Hotel, No.6 Beijing Capital Stadium South Road, Haidian District, Beijing

Fax: (86)010-68492200

Email:

Attn: Xiangzhi KONG

In the event that any party changes its address or number aforementioned above (“**Changing Party**”), such party shall inform other parties of such change within two (2) days after the change. In the event that Changing Party fails to deliver a notice in due course, such party shall be liable for any loss caused by such failure.

9. Miscellaneous

- 9.1 This Agreement shall immediately become effective on the date of satisfaction of all conditions set forth below:
- 9.1.1 This Agreement has been duly executed by the Parties;
 - 9.1.2 Party C has executed the equity interest transfer agreement and other documents related to Equity Interest Transfer at the request of Party A;
 - 9.1.3 The board of directors of Party A has passed the resolution on the termination of the Current Control Documents and the Equity Interest Transfer;
 - 9.1.4 The board of directors of Party B has passed the resolution on the termination of the Current Control Documents and the Equity Interest Transfer;
 - 9.1.5 The board of directors of Bitauto Holding has approved to terminate the Current Control Documents;
 - 9.1.6 The amendment registration for the Equity Interest Transfer with administration of industry and commerce has been accomplished and Party B has acquired new business license reflecting such transfer.
- 9.2 This Agreement may be amended or supplemented through written agreement by the Parties. Such written amendment agreement and/or supplementary agreement executed by the Parties are an integral part of this Agreement, and shall have the same legal effect as this Agreement.
- 9.3 In the event that any provision of this Agreement is found to be invalid, illegal or unenforceable in any aspect in accordance with any law or regulation, the validity, legality or enforceability of the remainder of this Agreement shall not be affected or compromised in any aspect. The Parties shall use best efforts to negotiate, in good faith, to replace such invalid, illegal or unenforceable provisions with effective provisions which are to the greatest extent permitted by law and most closely effectuate the Parties' intent in entering into this Agreement, and the economic effect of such effective provisions shall be, to the extent feasible, similar to the economic effect of those invalid, illegal or unenforceable provisions.
- 9.4 Any party may waive any term and condition of this Agreement, provided that such waiver must be provided in writing and shall be agreed by all Parties. No waiver by any Party in certain circumstances with respect to any breach by other Parties shall be deemed as a waiver by such a Party with respect to any similar breach in other circumstances.
- 9.5 This Agreement has five (5) copies. Each party holds one (1) copy with equal legal effect.

(The remainder of this page is intentionally left blank.)

(Signature Page to the Current Control Documents Termination Agreement)

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first above written.

Party A: /s/ Beijing Bitauto Internet Information Co., Ltd. (seal)

Legal Representative or Authorized Representative:

Date: June 26, 2017

(Signature Page to the Current Control Documents Termination Agreement)

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first above written.

Party B (Stamp): /s/ Beijing C&I Advertising Co., Ltd. (seal)

Legal Representative or Authorized Representative:

Date: June 26, 2017

(Signature Page to the Current Control Documents Termination Agreement)

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first above written.

Party C 1 (Stamp): /s/ Beijing Bitauto Information Technology (seal)

Legal Representative or Authorized Representative:

Date: June 26, 2017

(Signature Page to the Current Control Documents Termination Agreement)

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first above written.

Party C 2 (signature): Bin LI

By: /s/ Bin Li

Date: June 26, 2017

(Signature Page to the Current Control Documents Termination Agreement)

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first above written.

Party C 3 (signature): Weihai QU

By: /s/ Weihai Qu

Date: June 26, 2017

Schedule A

The Current Control Documents

Index:

No.	Document	Parties	Date
1	Loan Agreement	BBII, Bin LI	2006
2	Loan Agreement	BBII, Weihai QU	2006
3	Loan Agreement	BBII, Bin LI	2009.03.31
4	Loan Agreement	BBII, Weihai QU	2009.03.31
5	Power of Attorney	BBII, BBIT, CIG	2016
6	Power of Attorney	BBII, Bin Li, CIG	2016
7	Power of Attorney	BBII, Weihai QU, CIG	2016
8	Exclusive Option Agreement	BBII, BBIT, CIG	2016
9	Amended and Restated Exclusive Option Agreement	BBII, Bin Li, CIG	2016
10	Amended and Restated Exclusive Option Agreement	BBII, Weihai QU, CIG	2016
11	Equity Interest Pledge Agreement	BBII, BBIT, CIG	2016
12	Amended and Restated Equity Interest Pledge Agreement	BBII, Bin Li, CIG	2016
13	Amended and Restated Equity Interest Pledge Agreement	BBII, Weihai QU, CIG	2016
14	Exclusive Business Cooperation Agreement, Renewed Agreement and other affiliated Agreements	BBII, CIG	【2006.03.09】

Investment Agreement
Regarding
Beijing C&I Advertising Co., Ltd.

November 1, 2017

Beijing, China

Investment Agreement

This *Investment Agreement Regarding Beijing C&I Advertising Co., Ltd.* (hereinafter referred to as this “**Agreement**”) was signed by and among the following parties on November 1, 2017 in Beijing:

Jiaxing Changchengxinyi Equity Investment Partnership (Limited Partnership) (hereinafter referred to as “**Jiaxing Changcheng**”)

Address: Room 116-64, Building 1, Ji Jin Small Town, No. 1856 Najiang Road, Nanhu District, Jia Xing, Zhe Jiang Province

Executive Partner: China Great Wall Assets Management Co., Ltd.

Hubei Jiangjie Equity Investment Partnership (Limited Partnership) (hereinafter referred to as “**Hubei Jiangjie**”)

Address: 2nd Floor, Building 1, Labor Service Company, Gehua Street living area (3), Donghu New Technology Development Zone, Wuhan

Executive Partner: Ningbo Meishan Bonded Port Area Fu Qi He Chuang Investment Partnership (Limited Partnership)

Authorized representative: Xiao Rong

Shenzhen Yuehedingxin Venture Capital Enterprise (Limited Partnership) (hereinafter referred to as “**Yuehedingxin**”)

Address: Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai ShenZhen-Hongkong Cooperation Zone, Shenzhen (registered under the name of Shenzhen Qianhai Business Secretary Co., Ltd.)

Executive Partner: Shenzhen Yuyue Venture Investment Partnership (Limited Partnership)

Authorized representative: Erhai Liu

Shenzhen Zhaoyuanqiushi Investment Partnership (limited partnership) (hereinafter referred to as “**Shenzhen Zhaoyuan**”)

Address: Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai ShenZhen-Hongkong Cooperation Zone, Shenzhen (registered under the name of Shenzhen Qianhai Business Secretary Co., Ltd.)

Executive Partner: Beijing Zhiyuan Lixin Investment Management Co., Ltd.

Authorized representative: Qinggong Guo

Jiaxing Kangchengjinsi Investment Management Partnership (Limited Partnership) (hereinafter referred to as “**Kangchengjinsi**”)

Address: 55 Room 103, Building 1, No. 1856 Nanjiang Road, Nanhu District, Jiaxing, Zhejiang Province, China

Executive Partner: Shanghai Kangcheng Investment Management Co., Ltd.

Authorized representative: Feng Sun

Jiaxing Kangchengyongpan Investment Management Partnership (Limited Partnership) (hereinafter referred to as “**Kangchengyongpan**”)

Address: 56 Room 103, Building 1, No. 1856 Nanjiang Road, Nanhu District, Jiaxing, Zhejiang Province, China

Executive Partner: Shanghai Kangcheng Investment Management Co., Ltd.

Authorized representative: Feng Sun

Wanxiang Venture Capital Co., Ltd. (hereinafter referred to as “**Wanxiang Venture Capital**”)

Address: No. 398, Wensan Road, Xihu District, Hangzhou

Legal representative: Dayuan Guan

Tianjin Boyou Information Technology Co., Ltd. (hereinafter referred to as “**Tianjin Boyou**”)

Address: Room 501-139 (Centralized Office), Office Building 8, Branch Line of Jing Fu Highway, Dong Pu Wa Street, Wu Qing District, Tianjin

Legal representative: Hongyu Zhang

Beijing Bitauto Internet Information Co., Ltd. (“**BBII**”)

Address: Unit D, E, F, G, H and J, 10th Floor, Office Building No. 3, New Century Hotel, No. 6 Capital Stadium South Road, Haidian District, Beijing

Legal Representative: Bin Li

Lhasa Fengrun Information Technology Partnership (limited partnership) (hereinafter referred to as “**Lhasa Fengrun**”)

Address: No. 411, Office Building of Jinyue Pharmaceutical Co., No. 13 Linqionggang East Road No.1, Economic and Technological Development Zone,

Lhasa

Executive Partner: Min Wang

Lhasa Runze Information Technology Partnership (limited partnership) (hereinafter referred to as “**Lhasa Runze**”)

Address: No. 417, Office Building of Jinyue Pharmaceutical Co., No. 13 Linqionggang East Road No.1, Economic and Technological Development Zone,

Lhasa

Executive Partner: Yanling Tian

Lhasa Hongyang Information Technology Partnership (Limited Partnership) (hereinafter referred to as “**Lhasa Hongyang**”)

Address: No. 419 Office Building of Jinyue Pharmaceutical Co., No. 13 Linqionggang East Road No.1, Economic and Technological Development Zone,

Lhasa

Executive Partner: Chaoli Ma

Lhasa Hongfeng Information Technology Partnership (Limited Partnership) (hereinafter referred to as “**Lhasa Hongfeng**”)

Address: No. 415 Office Building of Jinyue Pharmaceutical Co., No. 13 Linqiong East Road No.1, Economic and Technological Development Zone, Lhasa

Executive Partner: Tao Yang

Gain Loyal Limited (hereinafter referred to as “**Gain Loyal**”)

Address: Unit 5505, 55/F, The Centre, 99 Queen’s Road Central, Hong Kong

Authorized representative: Chi Sing HO

Title: Director

Beijing C&I Advertising Co., Ltd. (hereinafter referred to as the “**Company**”)

Address: Room 01-11, 27th Floor, Tengda Building, No.168 Xizhimenwai Street, Haidian District, Beijing

Legal representative: Weihai Qu

BBII, Jiaxing Changcheng, Hubei Jiangjie, Yuehedingxin, Shenzhen Zhaoyuan, Kangchengjinsi, Kangchengyongpan, Wanxiang Venture Capital and Tianjin Boyou are collectively referred to as the “**Investors**”; BBII, Lhasa Fengrun, Lhasa Runze, Lhasa Hongyang, Lhasa Hongfeng and Gain Loyal are collectively referred to as “**Existing Shareholders**”. The Investors, Existing Shareholders, and the Company are referred to individually as a “**Party**”, collectively as the “**Parties**”.)

Whereas:

1. As of the execution date of this Agreement, the Company is a limited liability company (a joint venture co-invested by Taiwan, Hong Kong, Macao and mainland investors) established and legally existing in accordance with laws of People’s Republic of China (the “**PRC**”), with its registered address being Room 01-11, 27th Floor, Tengda Building, No.168 Xizhimenwai Street, Haidian District, Beijing. The registered capital of the Company is RMB 104.98 million.
2. As of the execution date of this Agreement, the ownership structure of the Company is as follows:

Name of shareholder	Commitment on Capital	Paid-in Capital	Ownership percentage(%)	Form of contribution
	Contribution	Commitment		
	(RMB, in ten thousands)	(RMB, in ten thousands)		
BBII	8,947.000	8,947.000	85.23%	In currency
Lhasa Fengrun	742.255	742.255	7.07%	In currency
Lhasa Runze	258.305	258.305	2.46%	In currency
Lhasa Hongyang	209.640	209.640	2.00%	In currency
Lhasa Hongfeng	239.800	239.800	2.28%	In currency
Gain Loyal	101.000	101.000	0.96%	US dollars in cash
Total	10,498.000	10,498.000	100.00%	—

3. Subject to the terms and conditions of this Agreement, the Investors intend to subscribe for the newly increased registered capital of the Company (hereinafter referred to as this “**Transaction**” or this “**Capital Increase**”) by payment of the Capital Contribution (as defined below) to the Company, and the Existing Shareholders hereby approve this Capital Increase.

Subject to relevant PRC laws and regulations and in accordance with principles of equality and mutual benefit, the Parties reached the following agreements and covenants regarding this Transaction:

Article 1 Definitions

1.1 Unless otherwise indicated in the context, the following terms should have the following meanings:

Affiliate	With respect to any person, means any other person who controls, is controlled by or is under common control with such person. For the purpose of this definition, "control" of a specific person, means the right to directly or indirectly direct the management and system development of such person, whether through an agreement or the ownership of 50% or more of voting shares, registered capital or voting securities of such person. "Be Controlling" "Controlled" and "under the common control" should have corresponding meanings. With respect to a natural person, such person's affiliate shall also include such person's spouse, children, brothers, sisters, parents, spouse's parents, the trustee of any trust which treats such natural person or the persons as mentioned above as beneficiary or the object of such trust, or any entities which are controlled by the above persons.
Affiliated Person	With respect to any person, means (1) the Affiliate of such person; (2) any other person who directly or indirectly owns or holds 10% or more of shares, voting rights or other interest of such person; (3) directors and officers of such person; (4) any entity in which the person serves as a director or officer.
Approval	With respect to any matter or event, means any license, consent, authorization, confirmation, certificate and approval that are necessary or required for the commencement, implementation and consummation of such matter or event;
Examination and Approval Authority	Means the MOFCOM who will issue relevant approvals or handle relevant filings required for the consummation of this Agreement and the transaction contemplated under this Agreement;
AOA	Means the Articles of Association that is valid during any specified period;
Capital Verification Account	Shall have the meaning provided in Article 2.4 of this Agreement;
Business Days	Means the days when PRC banks open for business, other than Saturdays, Sundays and statutory holidays in China;
Bitauto Holding	Means Bitauto Holding Limited, a company established in the Cayman Islands and listed on the New York Stock Exchange;
BBII	Means Beijing Bitauto Internet Information Co., Ltd.;
PRC	Means the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region for the purpose of this Agreement;
PRC Law	Means any laws, regulations, rules and regulatory documents promulgated by Chinese government authorities, as amended, modified and interpreted by competent authority from time to time.
Closing	Means the fulfillment of all precedent conditions in accordance with the terms of this Agreement;
Company	Means Beijing C&I Advertising Co., Ltd.;
Company Law	Means the <i>Company Law of the People's Republic of China</i> ;
Dispute	Shall have the meaning provided in Article 15.1 of this Agreement;
Company's Warranties	Shall have the meaning provided in Article 6.1 of this Agreement;
Payment Date	Shall have the meaning provided in Article 2.3 of this Agreement;
Encumbrances	Means mortgages, charges, pledges, liens, options, restrictions, equity, acquisition rights, right of priority, third-party rights or interests, or encumbrances or security interest of any other form, or any other preferential rights arrangement (including but not limited to ownership transfer and retention arrangement);
Existing Shareholders	Means the BBII, Lhasa Fengrun, Lhasa Runze, Lhasa Hongyang, Lhasa Hongfeng and Gain Loyal;
Force Majeure	Includes natural disasters, acts or omissions of any government or its agency department (not caused due to the default by any Party), rules, regulations or orders of any government authority (or any officers, departments, agency offices or departments thereof) (not caused due to the default of any Party), floods, storms, earthquakes, lightning, typhoons or other natural disasters, fires, wars, riots, plagues, public riots, rebellions, public actions, enemy actions, sabotage, aggression, quarantine restrictions, embargo-induced delays or delivery disruptions;
Government Authority	Means any government, quasi-government, judicial, self-regulatory or regulatory authority or entity or the branches thereof that have jurisdiction over the transactions contemplated hereunder;
Investors	Mean BBII, Jiaxing Changcheng, Hubei Jiangjie, Yuehedingxin, Shenzhen Zhaoyuan, Kangchengjinsi, Kangchengyongpan, Wanxiang Venture Capital and Tianjin Boyou;
Amendment Agreement to Joint Venture Contract	Means the Amendment Agreement to the Sino-Foreign Equity Joint Venture Contract signed by and among the Existing Shareholders and the Investors in connection with this Transaction;
Joint Venture Law	Means the <i>Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures</i> ;
Implementation Rules	Means <i>Rules for Implementation of the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures</i>
Listing	Means the company is listed on A-share market on the Shanghai Stock Exchange or Shenzhen Stock Exchange (including IPO or backdoor listing);

Loss	Means all losses, debts, costs (including but not limited to attorneys' fees), fees, expenses and damages;
Lhasa Fengrun	Means Lhasa Fengrun Information Technology Partnership (limited partnership);
Lhasa Hongfeng	Lhasa Hongfeng Information Technology Partnership (Limited Partnership);
Lhasa Hongyang	Lhasa Hongyang Information Technology Partnership (Limited Partnership);
Lhasa Runze	Lhasa Runze Information Technology Partnership (limited partnership);
Gain Loyal	Means Gain Loyal Limited;
Jiaxing Changcheng	Means Jiaxing Changchengxinyi Equity Investment Partnership (Limited Partnership);
Hubei Jiangjie	Means Hubei Jiangjie Equity Investment Partnership (Limited Partnership);
Yuehedingxin	Means Shenzhen Yuehedingxin Venture Capital Enterprise (Limited Partnership);
Shenzhen Zhaoyuan	Means Shenzhen Zhaoyuanqiushi Investment Partnership (limited partnership);
Kangchengjinsi	Means Jiaxing Kangchengjinsi Investment Management Partnership (Limited Partnership);
Kangchengyongpan	Means Jiaxing Kangchengyongpan Investment Management Partnership (Limited Partnership);
Wanxiang Venture Capital	Means Wanxiang Venture Capital Co., Ltd.;
Tianjin Boyou	Means Tianjin Boyou Information Technology Co., Ltd.;
MOFCOM	Means the Ministry of Commerce of People's Republic of China or its authorized local branches;
New Business License	Means the new business license issued to the Company as a foreign-invested company by the administration of industry and commerce after the competent authority approves the Transaction, the new Joint Venture Contract, and New AOA of the Company;
New AOA	Means the articles of association of the Company signed by the Existing Shareholders and the Investors in connection with this Transaction to reflect the terms and conditions of the new joint venture contract;
Purchase Price	Shall have the meaning provided in Article 2.1 of this Agreement;
Intellectual Property	Means the trademarks, service marks, trade names, goodwill, domain names, logos, decorations and other sources identification marks, patents, inventions, utility models, registered and unregistered design rights, copyrights, software, templates, database rights, trade secrets, know-how, technical and business information and all other similar intellectual property rights, and in the event that the above rights can be obtained or expanded by registration, any registration of such rights, as well as the registration application and the right to registration application thereof;
Transition Period	Means the period calculating from the execution date of this Agreement to the Payment Date;
New Shares	Have the meaning provided in Article 2.1 of this Agreement;
RMB or Yuan	Means the legal currency in China;
AIC	Means the State Administration for Industry and Commerce of People's Republic of China or its authorized local branches;
CSRC	Means China Securities Regulatory Commission;
the Transaction or Capital Increase	Means that the Investors subscribe the increased registered capital of the Company and thereby become new shareholders of the Company in accordance with the terms and conditions of this Agreement;
SAT	Means State Administration of Taxation or its authorized local branches;
Transaction Documents	Means legal documents related to this Transaction, including but not limited to this Agreement, the new Joint Venture Contract and New AOA;
USD	Means the legal currency of the United States of America;
Subsidiaries	With respect to any company, means the entities Controlled by such company.

- 1.2 In this Agreement, unless as otherwise indicated in the context:
- (1) The headlines and titles in this Agreement are inserted for reference purpose only and shall not affect the interpretation of any provisions of this Agreement;
 - (2) The reference to any Party to this Agreement shall include the successors, permitted assignees and individual representative of such Party;
 - (3) The definition of any terms or phrases shall accordingly apply to other grammatical forms of such terms or phrases (as the case may be);
 - (4) The terms indicating "above", "within" and "below" a specific number shall include the number itself, while the terms indicating "under" "beyond" "less than" and "more than" of a specific number do not include the number itself.

Article 2 Investment Plan

- 2.1 The Parties agree that the Investors shall invest a total of RMB 600 million (hereinafter referred to as the “**Capital Contribution**”) to the Company, so as to subscribe for the Company's increased registered capital and acquire the equity interests corresponding to the increased registered capital in accordance with the stipulations of this Agreement (hereinafter referred to as “**New Shares**”). The details of this Capital Increase are as follows:
- (1) BBII shall invest RMB 270 million, of which RMB18,009,000 shall be invested into the registered capital of the Company, while the remaining RMB 251,991,000 shall be counted into the capital reserve of the Company;
 - (2) Jiaxing Changcheng shall contribute RMB 90 million, of which 6,003,000 shall be invested into the registered capital of the Company, while the remaining RMB 83,997,000 shall be counted into the capital reserve of the Company;
 - (3) Hubei Jiangjie shall contribute RMB 65 million, of which 4,335,500 shall be invested into the registered capital of the Company, while the remaining RMB 60,664,500 shall be counted into the capital reserve of the Company;
 - (4) Yuehedingxin shall contribute RMB 45 million, of which 3,001,500 shall be invested into the registered capital of the Company, while the remaining RMB 41,998,500 shall be counted into the capital reserve of the Company;
 - (5) Kangchengjinsi shall contribute RMB 30 million, of which 2,001,000 shall be invested into the registered capital of the Company, while the remaining RMB 27,999,000 shall be counted into the capital reserve of the Company;
 - (6) Kangchenyongpan shall contribute RMB 10 million, of which 667,000 shall be invested into the registered capital of the Company, while the remaining RMB 9,333,000 shall be counted into the capital reserve of the Company;
 - (7) Shenzhen Zhaoyuan shall contribute RMB 30 million, of which 2,001,000 shall be invested into the registered capital of the Company, while the remaining RMB 27,999,000 shall be counted into the capital reserve of the Company;
 - (8) Wanxiang Venture Capital shall contribute RMB 30 million, of which 2,001,000 shall be invested into the registered capital of the Company, while the remaining RMB 27,999,000 shall be counted into the capital reserve of the Company;
 - (9) Tianjin Boyou shall contribute RMB 30 million, of which 2,001,000 shall be invested into the registered capital of the Company, while the remaining RMB 27,999,000 shall be counted into the capital reserve of the Company;
- 2.2 After the completion of the Transaction, the registered capital of the Company shall increase from RMB 104,980,000 to RMB 145,000,000. The ownership structure of the Company shall be as follows:

Name	Capital Contribution (RMB, in ten thousands)	Percentage of contribution (%)	Form of contribution
BBII	10,747.90	74.12%	In currency
Lhasa Fengrun	742.255	5.12%	In currency
Lhasa Runze	258.305	1.78%	In currency
Lhasa Hongyang	209.64	1.45%	In currency
Lhasa Hongfeng	239.8	1.65%	In currency
Gain Loyal	101	0.70%	US dollars in cash
Jiaxing Changcheng	600.30	4.14%	In currency
Hubei Jiangjie	433.55	2.99%	In currency
Yuehedingxin	300.15	2.07%	In currency
Kangchengjinsi	200.1	1.38%	In currency
Kangchenyongpan	66.7	0.46%	In currency
Shenzhen Zhaoyuan	200.1	1.38%	In currency
Wanxiang Venture Capital	200.1	1.38%	In currency
Tianjin Boyou	200.1	1.38%	In currency
Total	14,500	100.00%	—

- 2.3 Each of Lhasa Fengrun, Lhasa Runze, Lhasa Hongyang and Gain Loyal hereby waives any veto rights, pre-emptive rights and other similar preferential rights, whether by law or contractual arraignment, entitled to them as shareholders of the Company with respect to this Capital Increase.
- 2.4 The New Shares shall include all the rights attached thereto free from any Encumbrances. The Investors may fully exercise all the relevant rights attached to the New Shares and enjoy the relevant benefits and interests affiliated thereto.
- 2.5 The Parties agree that the payment of the Capital Contribution shall be made within 10 Business Days (hereinafter referred to as “**Payment Date**”) from the effective date of this Agreement.
- 2.6 On condition that the Company and the Existing Shareholders respectively perform their obligations as set forth in Article 3 of this Agreement, and subject to the representations and warranties made by the Company and the Existing Shareholders under this Agreement, the Investors shall pay the Capital Contribution to the Company in full amount on the Payment Date.
- 2.6.1. If the Investors pay Capital Contribution in Renminbi, the Investors shall remit relevant Renminbi amount into the bank account designated by the Company by fund transfer or wire transfer in lump sum (hereinafter referred to as the “**Capital Verification Account**”) on the Payment Date. Each Investor shall be deemed to have fully fulfilled its payment obligations stipulated under Article 2.4 after the Capital Contribution is paid to the Capital Verification Account. The information of the Capital Verification Account are as follows:
Name of account: Beijing C&I Advertising Co., Ltd.
Account number:
Opening Bank: Bank of China, Beijing New Century Hotel Branch
Cnaps code:
- 2.6.2. If the Investors pay Capital Contribution in foreign currency, the Investors shall pay the USD amount (calculated based upon the USD-Renminbi central parity rate published by the People's Bank on the Payment Date) equivalent to its Capital Contribution to the Capital Verification Account by wire transfer in lump sum on the Payment Date. The Investor shall be deemed to have fully fulfilled its payment obligations stipulated hereunder after the Capital Contribution is paid to the Capital Verification Account. The information of the Capital Verification Account are as follows:
Account Name: Beijing C&I Advertising Co., Ltd.
Account number:
Opening Bank: Bank of China, Beijing New Century Hotel Branch
SWIFT Code:
- 2.7 The Parties agree that after each Investor pays the Capital Contribution in accordance with Article 2.5 of this Agreement, such Investor shall be deemed to fulfill its capital contribution obligations contemplated under this Agreement and thereafter will be entitled to all shareholder's rights and obligations set forth under the *Company Law of the People's Republic of China* (hereinafter referred to as “**Company Law**”), *The Law Of The People's Republic Of China On Chinese-Foreign Equity Joint Ventures* (hereinafter referred to as the “**JV Law**”) and its Implementing Regulations, and the New AOA reflecting the Transaction contemplated hereunder.

Article 3 The Obligations during Transition Period and Post-Payment Date

- 3.1 Unless otherwise specified in this Agreement, during the Transition Period, the Company shall:
- 3.1.1 Continue to operate business in a way consistent with common practice and maintain continuous operations as usual; and
- 3.1.2 Operate business in a manner that is consistent with PRC Law in all material respects.
- 3.2 Without prejudice to the generality of Article 3.1, the Company and its Subsidiaries may not engage or commit to engage in any of the following activities during the Transition Period without the prior written consent of the Investors (such consent may not be withheld without a reasonable cause):
- 3.2.1 Increase or decrease its registered capital, or grant any options or rights to acquire registered capital of the Company (other than for the purposes of this Transaction);
- 3.2.2 Declare dividends or make distributions;
- 3.2.3 Make any changes to the AOA of the Company that is valid on the execution date of this Agreement (except for changes made in accordance with this Agreement).
- 3.3 If the Examination and Approval Authority requires the amendment of any Transaction Document as a precondition for approving or filing the Transaction, the Parties shall discuss and try their best to reach consensus on whether to make such amendment and/or whether to continue the filing process. However, no Party shall be obliged to agree to any amendment to any Transaction Document that will have materially adverse effects on such Party's rights and obligations thereunder, or that will subject such Party to any additional substantive obligations or conditions.
- 3.4 The Company promises that after the Payment Date the Company shall perform the following obligations:
- 3.4.1 Within twenty (20) Business Days after Payment Date, the Company shall entrust a qualified accounting firm to verify the capital contribution of the Investors and obtain a capital verification report correspondingly.
- 3.4.2 Within twenty (20) Business Days after the Payment Date, the Company shall go through the approval/filing procedures with the Examination and Approval Authority and go through the amendment registration procedures with AIC, and shall obtain the New Business License for the Company. The date on which the Company obtains a New Business License in connection with the Transaction shall be the date of completion of the Transaction.
- 3.5 The Parties promise that they will actively cooperate with the Company with respect to carrying out the relevant approval/recording procedures with the Examination and Approval Authority and conducting the registration procedures with AIC (including but not limited to signing new joint venture contract and New AOA as amended in connection with this Transaction).

4 Corporate Governance

- 4.1 From the Payment Date to the date when the Company is restructured as a joint stock limited company (hereinafter referred to as the “**Joint-stock Company**”), the board of directors shall be the highest authority of the Company, which will consider and decide on all issues related to the strategic business, finance and business operation of the Company in accordance with the new Joint Venture Contract and New AOA signed by the Parties.

5 Shareholders' Rights

- 5.1 The Parties agree and confirm that after the completion of the Transaction, both the Existing Shareholders and Investors shall be entitled to shareholders' rights set forth under PRC laws and regulations, in particular, the Company Law, the Joint Venture Law and its Implementation Rules, the regulations and regulatory documents promulgated by CSRC, including but not limited to demanding the Company to do the following matters through legal procedures:
- 5.1.1 Provide the annual financial statement of the Company (including balance sheet, profit and loss statement and cash flow statement) audited in accordance with PRC accounting standards within ninety (90) days after the end of each fiscal year;
 - 5.1.2 Provide unaudited quarterly financial statement of the Company (including balance sheet, profit and loss statement and cash flow statement) prepared in accordance with the PRC accounting standards and signed and confirmed by the legal representative or financial manager of the Company within the forty-five (45) days after the end of each quarter;
 - 5.1.3 Provide the budget of the Company for the new fiscal year approved by the board of directors within fifteen (15) days before the commencement of each new fiscal year.

6 Representations and Warranties of Company and Existing Shareholders

- 6.1 The Company represents, warrants and undertakes to the Investors that it is a limited liability company legally incorporated and validly existing in accordance with PRC Law;
- 6.2 Each Existing Shareholder respectively represents and warrants that it is company that is legally established and validly existing according to the law of the place where it is incorporated;
- 6.3 Each Existing Shareholder respectively represents and warrants that it has all capacities and all powers and authorizations necessary to sign this Agreement and perform all obligations hereunder, and to sign and deliver other legal documents contemplated hereunder;
- 6.4 Each Existing Shareholder respectively represents and warrants that upon execution of this Agreement, the obligations provided under this Agreement with respect to it shall constitute effective, binding and enforceable obligations on it;
- 6.5 Each Existing Shareholder respectively represents and warrants that the execution and performance of this Agreement by it:
 - 6.5.1 Shall not materially violate any of its organization documents;
 - 6.5.2 Shall not materially violate any contract, arrangement or document to which it is a party or by which it is bound, nor shall constitute a default thereunder;
 - 6.5.3 Shall not violate any applicable law or any order or judgment of any court or Government Authority required to comply.

7 Representations, Warranties and Covenants of Investors

Each Investor represents, warrants and covenants to the Company and Existing Shareholders that as of the Closing Date:

- 7.1 Such Investor is a company legally established and validly existing in accordance with laws of the place where it is incorporated;
- 7.2 Such Investor has all capacities and all powers and authorizations necessary to sign each Transaction Document to which it is a Party and perform all obligations thereunder, and to sign and deliver other agreements and legal documents contemplated by each Transaction Document to which it is a Party;
- 7.3 Upon execution of each Transaction Document to which it is a Party, the obligations provided thereunder with respect to it shall constitute effective, binding and enforceable obligations on such Investor; and
- 7.4 The execution and performance of this Agreement by it:
 - 7.4.1 Shall not materially violate any of its organization documents;
 - 7.4.2 Shall not materially violate any contract, arrangement or document to which it is a party or by which it is bound, nor shall constitute a default thereunder;
 - 7.4.3 Shall not violate any applicable law or any order or judgment of any court or Government Authority required to comply.
- 7.5 The representative of such Investor that puts on signature on this Agreement has been fully authorized to sign this Agreement.

8 Anti-corruption

- 8.1 The Parties agree and confirm that the Company shall not and shall not allow its subsidiaries, Affiliated Persons, or any of its directors, officers, employees, independent suppliers and agents to violate U.S. Foreign Corrupt Practices Act, UK Bribery Act or other applicable anti-bribery and anti-corruption laws, by promising, authorizing or paying articles of value to any third party, including any non-US government officials. The Company shall stop and ensure its subsidiaries or Affiliated Persons or any of its directors, officers, employees, independent suppliers and agents to stop any acts in violation of the U.S. Foreign Corrupt Practices Act, UK Bribery Act or other applicable anti-bribery or anti-corruption laws. The Company shall establish and ensure its subsidiaries or Affiliated Persons to establish proper internal control system (including but not limited to accounting systems, procurement systems, charging systems) to ensure the compliance with the U.S. Foreign Corrupt Practices Act, UK Bribery Act or other applicable anti-bribery and anti-corruption laws.

9 Notice and Service

- 9.1 Any notice or other formal correspondence required under this Agreement shall be made in writing, and shall be sent to the following address by hand, mail, fax or email:
 - 9.1.1 If sent to the Company, Lhasa Fengrun, Lhasa Runze, Lhasa Hongyang or Lhasa Hongfeng:
Address: 01-11, 27th Floor, Tengda Building, No.168 Xizhimenwai Street, Haidian District, Beijing
Fax: (86)010-68393666
Email:
Addressee:Min Wang
 - 9.1.2 If sent to BBII or Tianjin Boyou:
Address: Unit D, E, F, G, H and J, 10th Floor, Office Building No. 3, New Century Hotel, No. 6 Capital Stadium South Road, Haidian District, Beijing
Fax:(86)010-68492200
Email:
Addressee:Xiangzhi Kong

- 9.1.3 If sent to Gain Loyal:
Address:Unit 5505, 55/F, The Centre, 99 Queen's Road Central, Hong Kong
Fax:00852 -25291619
Email:
Addressee:Mr. Simon Ho
- 9.1.4 If sent to Jiaxing Changcheng:
Address:Yuetan Building, No. 2 Yuetan North Street, Xicheng District, Beijing
Fax:(86)010-68082635
Email:
Addressee:Qingsong Wang
- 9.1.5 If sent to Hubei Jiangjie:
Address:2nd Floor, Building 1, Labor Service Company, Gehua Street living area (3), Donghu New Technology Development Zone, Wuhan
Fax:(86) 010-68492058
Email:
Addressee:Rong Xiao
- 9.1.6 If sent to Yuehedingxin:
Address:Room 1501, Building B, Wangjing Dongyuan Greenland Center, Chaoyang District, Beijing
Fax:(86) 010-5238 8090
Email:
Addressee:Minggu Jin
- 9.1.7 If sent to Shenzhen Zhaoyuan:
Address:7th Floor, Financial Street Center, No.9 Financial Street, Xicheng District, Beijing
Fax:(86) 010-57601880
Email:
Addressee:Qinggong Guo
- 9.1.8 If sent to Kangchengjinsi or Kangchengyongpan:
Address:Room 906-907, GOPHER Centre, No.757 Mengzi Road, Shanghai, China
Fax:(86)021-56297664
Email:
Addressee: Mingzhi Xu
- 9.1.9 If sent to Wanxiang Venture Capital:
Address:No. 398 Wensan Road, Xihu District, Hangzhou, Hangzhou
Fax:(86)057-18713695
Email:
Addressee:Ken Chen

10 Liabilities for Default

- 10.1 After this Agreement becomes effective, all Parties shall fulfill their obligations and covenants hereunder in a complete, proper and timely manner in accordance with the provisions of this Agreement. A default shall constitute if any Party to this Agreement breaches any of the provisions of this Agreement. In that case, the defaulting Party shall compensate the non-defaulting Party for all losses incurred from the breach of the defaulting Party.
- 10.2 After the Agreement comes into effect, the Investors shall make Capital Contribution according to the schedule stipulated herein, otherwise a default shall constitute.
- 10.3 The total liability of the Company and the Existing Shareholders for all claims raised by the Investors under the terms of this Agreement shall not exceed the total Capital Contribution actually paid by Investor to the Company.

11 Termination

- 11.1 Before the Payment Date, this Agreement shall be terminated in the following circumstances:
 - 11.1.1 By a written agreement reached by all Parties;
 - 11.1.2 A Party (“**Defaulting Party**”) is in serious violation of this Agreement, and such breach is remediable. However, the Defaulting Party fails to rectify such breach within thirty (30) days of the receipt of a written notice from the non-defaulting party (“**Non-Defaulting Party**”). In that case, the Non-Defaulting Party has the right to immediately terminate or cancel this Agreement unilaterally.
 - 11.1.3 The performance of this Agreement is impossible due to the effect or influence of Force Majeure.
 - 11.1.4 Any other cause for termination specified in this Agreement or under PRC Law arises.
- 11.2 The terminating party shall notify the other Parties in writing and the Agreement shall be terminated upon the arrival of such notice to other Parties.
- 11.3 Except as otherwise provided in this Agreement, neither Party shall unilaterally terminate or cancel this Agreement.
- 11.4 The termination of this Agreement shall not affect the right of any Party to claim compensation against other Parties.

12 Publicity and Confidentiality

- 12.1 Unless otherwise expressly provided in this Agreement, the Parties shall keep confidential of any information (regardless in oral, graphical, written or electronic form) they received during the process of negotiating and signing this Agreement or any other Transaction Documents, or during the process of performing this Agreement or any other Transaction Documents and may not disclose or publish such information in any way, including:
 - 12.1.1 Any non-public Information related to the Company;
 - 12.1.2 Any non-public information related to the business, assets, finance or other affairs of the other Party or any of its Affiliates; and
 - 12.1.3 Any information related to the existence or contents of this Agreement or any other Transaction Documents.
- 12.2 Disclosure of information by the disclosing Party in accordance with the following provisions shall not be regarded as a violation of above Article 12.1:
 - 12.2.1 The disclosing party discloses in good-faith the basic business information of the transaction contemplated hereunder (such as price, payment method, counterpart party, etc.) for the purpose of internal reporting (including but not limited to reporting to its shareholders, investors or their respective investment managers or representatives, directors and managers) or in the course of performing this Agreement or any other Transaction Documents, provided such persons agree to undertake the confidentiality obligation with respect to the disclosed information and the disclosing party shall be held liable if such persons violate the confidentiality obligations.
 - 12.2.2 Disclosing Party discloses relevant information to the third party professional consultants for seeking advice from such consultants in connection with the Transaction described in this Agreement, provided that such consultants agree to assume confidentiality obligations with respect to the disclosed information and the disclosing party shall be held liable if such consultants violate the confidentiality obligations.
 - 12.2.3 Information enters into public domain not caused due to Disclosing Party’s violation of this Agreement or other applicable confidentiality obligations;
 - 12.2.4 The disclosure of information is permitted by the other Parties in writing in advance; and
 - 12.2.5 The information is disclosed by the disclosing party according to the rules of any stock exchange in which the disclosing party's securities are listed for trading, the order of any competent government agency (including any tax authority) or as required by other applicable law (including publicity), provided the disclosing party should notify the other parties as soon as practicable to the extent permitted by law and should take into consideration of the other parties' reasonable request for the form, content and manner of disclosure (provided such request is proposed within a reasonable time specified by disclosing party).
- 12.3 The Parties agree that this Article 12 shall survive the amendment, cancellation or termination of this Agreement.

13 Fees

Except as otherwise provided in this Agreement, each Party shall bear and pay for its own legal, accounting and other costs and expenses incurred in the drafting and implementation of this Agreement and all other documents in the specified format.

14 Governing Law

This Agreement is governed by and construed in accordance with the laws of PRC.

15 Dispute Resolution

15.1 Negotiation

Any dispute, inconsistency or claim arising from the interpretation or performance of this Agreement or related to this Agreement, including but not limited to the existence, effect, interpretation or termination of the Agreement or any claim raised by any Party in respect of any threat, allegation or actual breach hereof (the “**Dispute**”) should be first settled through friendly consultations. If the Parties fail to resolve the Dispute within sixty (60) days from the date of the written notice by any Party to the other Parties requesting for negotiation, any Party may submit the Dispute to arbitration in accordance with Article 15.2.

15.2 Arbitration

15.2.1 If any Dispute cannot be settled through the negotiations as mentioned above, the Dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing according to the Commission’s arbitration rules effective when an application for arbitration is submitted. The arbitration shall be conducted in Chinese. The arbitral award shall be final and binding on all Parties. And the Parties agree to be bound by the arbitral award and execute it in accordance with its contents.

15.2.2 If any Dispute arises and is submitted for arbitration, other than matters in arbitration, the Parties shall continue to exercise their respective rights and fulfill their respective obligations under this Agreement.

15.2.3 Each Party expressly waives the defense of sovereign immunity and other defenses based on the fact that it is an agent or institution of a sovereign state in any arbitral proceedings, any legal proceedings seeking to enforce any arbitral award, or any legal proceedings raised between the Parties in accordance with this Agreement or in connection with this Agreement.

16 Miscellaneous

16.1 This Agreement shall come into effect on the date on which it is being properly signed by all Parties according to law respectively applicable to each Party.

16.2 The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of the remaining provisions of this Agreement.

16.3 Any amendment to this Agreement or to any document in the agreed format shall take effects only after a written consent is signed by all Parties or their representatives.

16.4 This Agreement and all and/or any part of the rights and obligations under this Agreement cannot be assigned without a written agreement signed by all Parties.

16.5 This Agreement constitutes the entire understandings and agreements among the Parties and supersedes any oral or written representations, communications, understandings and agreements made among the Parties with respect to contents of this Agreement prior to the date of signing this Agreement.

16.6 Any Party’s waiver of any breach or failure to perform any terms of this Agreement by the other Party or shall not be deemed to be a waiver of the subsequent breach of the same or other terms by such other party. The failure or delay of any party to exercise any of its rights or relief under this Agreement shall not be deemed to be a waiver of relevant terms or agreements of this Agreement. The single or partial exercise of any rights or remedies under this Agreement shall not prevent or limit the further exercise of such rights or remedies.

16.7 This Agreement shall be signed in Chinese, and shall be signed in twelve (12) copies. Each copy shall constitute an original after being signed by the Parties. All copies shall together constitute the one same document.

(The remainder of this page is intentionally left blank. Signature page follows.)

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Beijing C&I Advertising Co., Ltd. (Seal)

Legal representative/authorized representative

Weihai Qu

(Sign): /s/ Weihai Qu

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Beijing Bitauto Internet Information Co., Ltd.(Seal)

Legal representative/authorized representative

Bin Lin

(Sign): /s/ Bin Lin

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Lhasa Fengrun Information Technology Partnership (limited partnership)(Seal)

Executive Partner/authorized representative

Min Wang

(Sign): /s /Min Wang

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Lhasa Runze Information Technology Partnership (limited partnership)(Seal)

Executive Partner/authorized representative

Yanling Tian

(Sign): /s/ Yanling Tian

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Lhasa Hongyang Information Technology Partnership (Limited Partnership)(Seal)

Executive Partner/authorized representative

Chaoli Ma

(Sign): /s/ Chaoli Ma

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Lhasa Hongfeng Information Technology Partnership (Limited Partnership)(Seal)

Executive Partner/authorized representative

Tao Sun

(Sign): /s/ Tao Sun

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Gain Loyal Limited

Authorized Representative

Chi Sing HO

(Sign): /s/ Chi Sing HO

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Jiaying Changchengxinyi Equity Investment Partnership (Limited Partnership)(Seal)

Legal representative/authorized representative

(Sign): /s/ authorized signatory

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Hubei Jiangjie Equity Investment Partnership (Limited Partnership)(Seal)

Executive Partner/authorized representative

Rong Xiao

(Sign): /s/ Rong Xiao

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Jiaying Kangchengjinsi Investment Management Partnership (Limited Partnership)(Seal)

Executive Partner/authorized representative

Feng Sun

(Sign): /s/ Feng Sun

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Jiaying Kangchengyongpan Investment Management Partnership (Limited Partnership)(Seal)

Executive Partner/authorized representative

Feng Sun

(Sign): /s/ Feng Sun

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Shenzhen Zhaoyuanqiushi Investment Partnership (limited partnership)(Seal)

Executive Partner/authorized representative

(Sign): /s/ authorized signatory

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Wanxiang Venture Capital Co., Ltd.(Seal)

Legal representative/authorized representative

Dayuan Guan

(Sign): /s/ Dayuan Guan

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Tianjin Boyou Information Technology Co., Ltd.(Seal)

Legal representative/authorized representative

Hongyu Zhang

(Sign): /s/ Hongyu Zhang

In witness hereof, the Parties or their respective legal representatives or authorized representatives signed this Investment Agreement Regarding Beijing C&I Advertising Co., Ltd. on the date as first mentioned above.

Shenzhen Yuedingxin Venture Capital Enterprise (Limited Partnership)(Seal)

Legal representative/authorized representative

Erhai Liu

(Sign): /s/ Erhai Liu

List of Significant Subsidiaries and Variable Interest Entities

Subsidiaries

Yixin Capital Limited
 KKC Holdings Limited
 Bitauto Hong Kong Limited
 Yixin Holding Hong Kong Limited
 KKC Holdings Limited
 Beijing Bitauto Internet Information Company Limited
 Beijing KKC Technology Company Limited
 Shanghai Yixin Financing Leasing Company Limited
 Xinche Investment (Shanghai) Company Limited
 Tianjin Hengtong Jiahe Financing Lease Company Limited
 Beijing C&I Advertising Company Limited
 Dalian Rongxin Financial Guarantees Company Limited
 Xinjiang Yin'an Information Technology Company Limited

Jurisdiction of Incorporation:

Cayman Islands
 Cayman Islands
 Hong Kong
 Hong Kong
 Hong Kong
 People's Republic of China
 People's Republic of China

Consolidated variable interest entities (including their subsidiaries)

Beijing Xinbao Information Technology Company Limited
 Beijing Bitauto Information Technology Company Limited
 Beijing Easy Auto Media Company Limited
 Beijing Bit EP Information Technology Company Limited
 Tianjin Boyou Information Technology Company Limited
 (formerly known as Bitauto (Tianjin) Commerce Company Limited)
 Beijing Bitauto Interactive Advertising Company Limited
 Beijing Yixin Information Technology Company Limited

Jurisdiction of Incorporation:

People's Republic of China
 People's Republic of China

* Other consolidated variable interest entities of Bitauto Holdings Limited have been omitted from this list since, considered in the aggregate as a single entity, they would not constitute a significant subsidiary.

Certification by the Principal Executive 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)) for the Company 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.

By: /s/ Xuan Zhang
Name: Xuan Zhang
Title: Chief Executive Officer
Date: April 27, 2018

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Cynthia He, 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)) for the Company 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.

By: /s/ Cynthia Kun He
Name: Cynthia Kun He
Title: Chief Financial Officer
Date: April 27, 2018

**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, 2017 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.

By: /s/ Xuan Zhang
Name: Xuan Zhang
Title: Chief Executive Officer
Date: April 27, 2018

**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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cynthia He, 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.

By: /s/ Cynthia Kun He
Name: Cynthia Kun He
Title: Chief Financial Officer
Date: April 27, 2018

Han Kun Law Offices
9/F, 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 27, 2018

Bitauto Holdings Limited
New Century Hotel Office Tower, 6/F
No. 6 South Capital Stadium Road
Beijing, 100044
The People's Republic of China

Ladies and Gentlemen:

We hereby consent to the use of our name under the captions "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 27, 2018, with the Securities and Exchange Commission (the "**SEC**") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2017 (the "**Annual Report**"), and further consent to the incorporation by reference into the Registration Statement (Form S-8 No. 333-171927) pertaining to the 2006 Stock Incentive Plan and the 2010 Stock Incentive Plan and the Registration Statement (Form S-8 No. 333-195428) pertaining to the 2012 Share Incentive Plan of Bitauto Holdings Limited of the summary of our opinion under the captions "RISK FACTORS" and "MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS" included in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

Sincerely yours,

/s/ Han Kun Law Offices

Han Kun Law Offices

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (333-171927 and 333-218206) of Bitauto Holdings Limited of our report dated April 27, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 27, 2018
