You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2014, 2015 and 2016 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest online automobile retail transaction platform in China as measured by the volume and the value of automobile retail transactions in 2016, according to the Frost & Sullivan Report. We operate our business in the following two segments:

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

We have experienced significant growth during the Track Record Period. Our total revenues increased from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million and RMB1.5 billion for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 456.8%. Our total revenues grew by 240.4% from RMB455.8 million for the six months ended June 30, 2016 to RMB1.6 billion for the same period in 2017. For the year ended December 31, 2016, the revenues of our transaction platform business and self-operated financing business were RMB212.2 million and RMB1.3 billion, respectively; and the revenues of these two businesses were RMB321.1 million and RMB1.2 billion for the six months ended June 30, 2017, respectively. Our gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million and RMB735.0 million for the years ended December 31, 2015 and December 31, 2016, respectively, representing a CAGR of 323.3%. Our gross profit grew by 300.6% from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the same period in 2017. For the year ended December 31, 2016, the gross profits of our transaction platform business and self-operated financing business were RMB170.2 million and RMB564.8 million, respectively; and the gross profits of these two businesses were RMB248.1 million and RMB645.7 million for the six months ended June 30, 2017, respectively.

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

BASIS OF PRESENTATION

Pursuant to the restructuring as more fully explained in the section headed "History and Corporate Structure — Shareholding Changes of our Company," immediately prior to and after each restructuring, all the businesses that we are currently engaged in were under the control of Bitauto. Accordingly, the restructuring have been accounted for as a business combination under common control and the Historical Financial Information has been prepared on a consolidated basis. The Historical Financial Information presents the consolidated results and financial position of our Group as if the current group structure had been in existence throughout the Track Record Period or since the date when the group companies first came under the control of Bitauto, whichever is a shorter period.

The net assets of the group companies were consolidated using the existing book values from Bitauto's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the internet information service industry in the PRC, our business operations were carried out by our Consolidated Affiliated Entity in PRC. Shanghai Techuang, has entered into the then existing contractual arrangements (the "Old Contractual Arrangements") with, among others, our Consolidated Affiliated Entity and its respective equity holders. The Old Contractual Arrangements enabled Shanghai Techuang to exercise effective control over our Consolidated Affiliated Entity and obtain substantially all economic benefits of them. On August 10, 2017, we entered into the Contractual Arrangements which superseded the Old Contractual Arrangements. Under the Contractual Arrangements, Beijing KKC has acquired effective control over the financial and operational decision-making of our Consolidated Affiliated Entity and has become entitled to all the economic benefits derived from its operations. Accordingly, the financial position and result of operations of our Consolidated Affiliated Entity is consolidated in the Consolidated Financial Statements continuously. Details of the Old Contractual Arrangements and the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements."

MAJOR FACTORS AFFECTING OUR RESULT OF OPERATIONS

Our result of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following:

Our service and product offerings

Our platform connects all players in the automobile retail transaction market together; consumers, automakers, auto dealers, auto finance partners, insurance companies and other aftermarket service providers interact with each other on our platform. We believe that our ability to deliver a one-stop solution and build an end-to-end ecosystem to attract our customers and encourage user loyalty is the key to our historical growth and future success. We therefore continuously endeavor to deliver more comprehensive service and product offerings to our customers.

We started our business by providing advertising and subscription services to automakers and auto dealers to promote their services and products. We commenced our self-operated financing business in June 2015, loan facilitation services in April 2016, transaction facilitation services in November 2016, and value-added services including sales of vehicle telematics systems in the second quarter of 2017, and also gradually expanded our advertising and subscription services to auto finance partners and insurance companies. We have experienced rapid growth in our business and revenues as well as changes in other aspects of our result of operations as we expanded our business lines to offer more services and products. Since different business lines and product and service offerings may have different cost structures and gross profit margins, expansion of our business and changes to our product and service mix impact our overall cost structure and gross profit margin. For example, in 2016, we derived a large amount of revenues from automobile sales, which had significantly lower gross profit margin than other components of our business. Since we record these revenues as a part of revenues from self-operated financing business, the gross profit margin of this segment decreased from 91.0% in 2015 to 44.3% in 2016. Revenues generated from automobile sales, however, decreased by 43.2% in the first half of 2017 compared to the same period in 2016, which contributed to a higher gross margin of 52.5% of this segment for the six months ended June 30, 2017. We expect automobile sales revenues to decrease further over time.

We plan to further explore and monetize transaction opportunities at different stages of the transaction cycle by increasing our product and service offerings going forward, which is expected to contribute to our future revenue growth and also materially affect our result of operations and financial conditions.

Our ability to maintain and expand customer base

We are serving various types of customers throughout the cycle of automobile retail transactions, including individual consumers, automakers, auto dealers, auto finance partners, insurance companies and other aftermarket service providers. Our revenue growth has been largely driven by the expansion of our customer base and the corresponding increase in the number of transactions on our platform.

We primarily earn interest and rental revenues directly from consumers in our self-operated financing business. In addition, for services such as transaction facilitation and loan facilitation where we mainly derive our revenues from auto dealers and auto finance partners, we rely on active consumers to engage in more transactions and obtain loans through our facilitation services to achieve higher revenues. Our consumer base has grown significantly since the inception of our business. As of June 30, 2017, we had an aggregate of over 5 million registered consumer accounts across all of our mobile apps, mobile sites and websites. However, we believe there is still a huge potential to further grow our consumer base, as the ratio of automobile retail transactions via online automobile retail transaction platforms is still low in China. We plan to continue to expand our customer base going forward through our advertising and marketing measures. For details, see "Business—Sales and Marketing—Consumer Marketing."

We also derive revenues from automakers, auto dealers, auto finance partners and insurance companies for our advertising and subscription, loan facilitation and transaction facilitation services. The increased participation of these business partners in our ecosystem and their transactions on our platform will help to attract more consumers and have a direct positive impact on our result of operations.

Our ability to price competitively

Our result of operations and our profitability largely depend on our ability to price competitively, especially our ability to price our financing services, which is influenced by market interest rates, the pricing strategies of other players on the market, and our own funding costs and risk management capabilities. We offer different interest rates and down payment options for our financing lease products based on our analysis of each category of target consumers. We believe our pricing strategy has been effective as our self-operated financing business has expanded rapidly since we started this business. We believe our ability to price our services competitively will help expand the scale of our self-operated financing business and contribute to our future revenue growth.

Our ability to secure funding and manage our funding costs

Our financing lease and operating lease services are both capital intensive businesses. We have utilized various external funding sources to support the expansion of our self-operated financing business, including issuance of Preferred Shares to pre-IPO investors, borrowings from banks and other financial institutions, borrowings through ABSs and loans from Bitauto Group. We have raised a total of approximately RMB7.1 billion from issuance of Preferred Shares during the Track Record Period. As of June 30, 2017, we had RMB10.0 billion of outstanding borrowings from banks and other financial institutions, some of which are guaranteed by Bitauto Group, RMB7.0 billion of ABS debts and RMB583.8 million of outstanding loans from Bitauto Group. We will repay all outstanding loans from Bitauto Group prior to the Global Offering. During the Track Record Period, the interest payment on our borrowings was RMB516.9 million. Our ongoing ability to secure additional funding at reasonable cost will affect our ability to expand our self-operated financing business and our result of operations. We expect to gain access to additional sources of financing and obtain favorable financing terms after we become a listed company.

For details of our borrowings and loans, see "—Indebtedness." For discussion of our interest rate risk including an interest rate sensitivity analysis, see Note 3.1(a)(ii) to the Accountant's Report in Appendix I.

Our ability to integrate and expand the online and offline operation in a cost-efficient way

Omni-channel capability is critical to our operations, and we believe it is one feature that differentiates us from our competitors. The online channels, including various mobile apps, mobile sites and websites, attract prospective consumers and allow us and our business partners to reach out to them efficiently. The local transaction teams and offline auto dealer cooperative network help facilitate and offer consumers a convenient and informative automobile transaction experience. In September 2017, our online channels had approximately 51 million MAUs. As of June 30, 2017, we also maintain a local service teams and auto dealer cooperative network that are comprised of over 3,300 employees and over 15,000 dealer shops across China, including 62 independently operated Yixin-branded experience stores.

This efficient and integrated online and offline operation contributed to the growth of our customer base and the number of transactions on our platform. Our ability to expand and further integrate this online and offline operation in a cost-efficient way affects our profitability. Our marketing and consumer acquisition efforts will impact our sales and marketing expenses, while growth in local transaction teams and our operation expansion will impact our administrative expenses. Our ability to effectively manage the online and offline operation will impact our financial performance.

Our risk management capability

We are subject to a variety of risks, primarily market risk, liquidity risk, operational risk and credit risk. We have developed comprehensive risk management system to address these risks. We also continue to monitor and review the operation and performance of our risk management system, and adapt to the changes in market conditions, our product and service offerings, and the regulatory environment. For discussion on our financial risk management, see Note 3.1 to the Accountant's Report in Appendix I.

We believe we achieved strong asset quality during the Track Record Period. As of September 30, 2017, our 30+ days, 90+ days and 180+ days past due ratios are 1.10%, 0.47% and 0.17%, respectively. However, since we have only recently entered into the self-operated financing business, our historical past due ratios and other information about our asset quality are not indicative of our future past due ratios and other information about our asset quality in the future. See "Risk Factors—Risks Relating to Our Business and Industry—Most of our financing lease contracts have been outstanding for a relatively short period and are not fully seasoned. The asset quality of our self-operated financing business may further deteriorate as the finance receivables season or as our product mix evolves."

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the allowance for the past due finance receivables based on the current performance of our net finance receivables. We believe we have provided adequate allowance for potential credit losses. As of September 30, 2017, our 30+ days, 90+ days and 180+ days past due coverage ratio were 14.8%, 34.6% and 94.1%, respectively. We will continually monitor the changes in the asset quality of our asset portfolio and adjust our allowance level accordingly to reflect the development of our business and asset portfolio.

Relationship with our business partners

We are operating an automobile retail transactions platform, where our business partners transact and interact with consumers in a number of different ways. For example, an auto dealer can be our customer for transaction facilitation services and financing lease services, and at the same time list their auto information on our portals and act as our offline channel or Yixin experience store to help us reach more consumers. Therefore, our ability to continue building a synergetic ecosystem for automobile transaction largely depends on our ability to attract more business partners to participate in transactions on our platform and help them actively interact and transact using our services. We expect to achieve economies of scale and improve operational efficiency as more business partners join our platforms.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Impairment tests for goodwill

We carry out our annual impairment test on goodwill by comparing the recoverable amounts to carrying amounts. As of December 31, 2016, the impairment test was performed at our Group level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a seven-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the seven-year period.

The key assumptions used by us for value-in-use calculations include (i) average annual revenue growth rate, which is 39.9% for a seven-years period, and (ii) discount rate, which is 16.0%. The estimated growth rate used in the value-in-use calculations for period beyond the seven-year period is 3.0%.

The revenue growth rates applied to us are consistent with those estimated by the industry reports, and do not exceed the long-term average growth rates of the industry we operate. We estimate budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by us is the pre-tax interest rate that is able to reflect the risks.

As of December 31, 2016, our directors are of the view that there was no evidence of impairment of goodwill.

We have performed a sensitivity analysis on key assumptions used for 2016 annual impairment test of goodwill. A reasonably possible change in key assumptions used in the impairment test of goodwill would not cause the carrying amount to exceed its recoverable amount as of December 31, 2016.

Our significant accounting policies, which are important for an understanding of our financial condition and result of operations, are set forth in detail in Note 2 to the Accountant's Report in Appendix I. Our other critical accounting estimates and judgments that were used in the preparation of our Consolidated Financial Statements are set forth in Note 4 to the Accountant's Report in Appendix I.

NON-IFRS MEASURES

To supplement our Consolidated Financial Statements, which are presented in accordance with IFRS, we also use Adjusted Operating Profit and Adjusted Net Profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated result of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Operating Profit eliminates the effect of certain non-cash items and one-time events, namely fair value gain/(loss) on financial assets, amortization of intangible assets resulting from asset and business acquisitions, share-based compensation expenses, issuance costs of convertible redeemable preferred shares and listing expenses. Adjusted Net Profit in addition eliminates the effect of fair value loss of convertible redeemable preferred shares, and any income tax impact resulting from the abovementioned items. The terms "Adjusted Operating Profit" and "Adjusted Net Profit" are not defined under IFRS. The use of Adjusted Operating Profit and Adjusted Net Profit has material limitations as an analytical tool, as they do not include all items that impact our profit/(loss) for the relevant years/periods. The effect of items eliminated from Adjusted Operating Profit and Adjusted Net Profit is a significant component in understanding and assessing our operating and financial performance.

In light of the foregoing limitations for Adjusted Operating Profit and Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted Operating Profit in isolation or as a substitute for our operating (loss)/profit, nor should you view Adjusted Net Profit in isolation or as a substitute for our profit/(loss) for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our Adjusted Operating Profit and Adjusted Net Profit for the years/periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

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

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Operating (loss)/profit of transaction platform business	(1,616)	37,979	7,322	11,511	87,460
Add:					
Fair value (gain)/loss of financial assets	—	(2,126)	17,126	—	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	—	20,373	5,729	1,966	10,802
Share-based compensation expenses	3,715	4,654	1,805	232	9,161
Listing expenses	—	—	—	—	1,153
Adjusted operating profit of transaction platform business (unaudited)	2,099	60,880	31,982	13,709	101,747

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Operating profit of self-operated financing business	—	25,368	88,319	39,509	210,548
Add:					
Amortization of intangible assets resulting from asset and business acquisitions	—	6,480	26,313	13,379	25,687
Share-based compensation expenses	—	1,633	4,008	1,584	7,784
Listing expenses	—	—	—	—	4,418
Adjusted operating profit of self-operated financing business (unaudited)	—	33,481	118,640	54,472	248,437

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

CONSOLIDATED INCOME STATEMENTS

The following table presents our consolidated income statement items as well as their percentage to the total revenues for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(Unaudited)			
	(in thousands of RMB, except percentages)									
Revenues	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%
Transaction platform business	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-operated financing business	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Cost of revenues	(6,976)	(14.5)%	(39,998)	(14.7)%	(752,888)	(50.6)%	(232,681)	(51.0)%	(657,546)	(42.4)%
Gross profit	**41,014**	**85.5%**	**231,277**	**85.3%**	**735,009**	**49.4%**	**223,130**	**49.0%**	**893,862**	**57.6%**
Selling and marketing expenses	(27,723)	(57.8)%	(150,699)	(55.6)%	(360,098)	(24.2)%	(132,818)	(29.1)%	(345,652)	(22.3)%
Administrative expenses	(5,310)	(11.1)%	(20,558)	(7.6)%	(225,330)	(15.2)%	(36,711)	(8.1)%	(182,617)	(11.8)%
Research and development expenses	(8,686)	(18.1)%	(16,112)	(5.9)%	(71,351)	(4.8)%	(14,043)	(3.1)%	(72,423)	(4.7)%
Other (losses)/gain, net	(911)	(1.9)%	19,439	7.2%	17,411	1.2%	11,462	2.5%	4,838	0.3%
Operating (loss)/ profit	**(1,616)**	**(3.4)%**	**63,347**	**23.4%**	**95,641**	**6.4%**	**51,020**	**11.2%**	**298,008**	**19.1%**
Finance income	787	1.6%	5,283	1.9%	15,755	1.1%	1,071	0.2%	14,918	1.0%
Finance expenses	—	—	(12,210)	(4.5)%	(29,250)	(2.0)%	(5,389)	(1.2)%	(15,605)	(1.0)%
Fair value loss of convertible redeemable preferred shares	—	—	(53,452)	(19.7)%	(1,428,141)	(96.0)%	(16,789)	(3.7)%	(6,300,470)	(406.1)%
(Loss)/Profit before income tax	**(829)**	**(1.8)%**	**2,968**	**1.1%**	**(1,345,995)**	**(90.5)%**	**29,913**	**6.5%**	**(6,003,149)**	**(387.0)%**
Income tax expense	894	1.9%	(31,174)	(11.5)%	(58,343)	(3.9)%	(30,560)	(6.7)%	(101,910)	(6.6)%
Profit/(Loss) for the year/period	**65**	**0.1%**	**(28,206)**	**(10.4)%**	**(1,404,338)**	**(94.4)%**	**(647)**	**(0.2)%**	**(6,105,059)**	**(393.6)%**
Adjusted operating profit (unaudited)	2,099	4.4%	94,361	34.8%	150,622	10.1%	68,181	15.0%	350,184	22.6%
Adjusted net profit (unaudited)	3,780	7.9%	65,603	24.2%	99,665	6.7%	33,303	7.3%	261,176	16.8%

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULT OF OPERATIONS

Revenues

We operate the largest online automobile retail transaction platform in China; our operations cover the whole transaction cycle of automobiles and we derive our revenues from two business segments during the Track Record Period, namely transaction platform business and self-operated financing business.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we generated total revenues of RMB48.0 million, RMB271.3 million, RMB1,487.9 million, RMB455.8 million and RMB1,551.4 million, respectively. The following table sets forth a breakdown of our revenues by business segments both in absolute amount and as a percentage of our total revenues for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(Unaudited)			
	(in thousands of RMB, except percentages)									
Segment revenues:										
Transaction platform business(1)	47,990	100.0%	205,814	75.9%	212,152	14.3%	58,397	12.8%	321,141	20.7%
Self-operated financing business(2)	—	—	65,461	24.1%	1,275,745	85.7%	397,414	87.2%	1,230,267	79.3%
Total	47,990	100.0%	271,275	100.0%	1,487,897	100.0%	455,811	100.0%	1,551,408	100.0%

Notes:

(1) The revenue generated from transaction platform business for 2014, 2015, 2016 and the first half of 2016 and 2017 included revenues from the sales of vehicle telematics systems amounting to nil, nil, nil, nil and RMB81.2 million, respectively; and the promotional services amounting to nil, nil, RMB0.3 million, nil and RMB68.9 million, respectively.

(2) The revenue generated from self-operated financing platform business for 2014, 2015 and 2016 and the first half of 2016 and 2017 included revenues from automobile sales amounting to nil, nil, RMB 473.0 million, RMB181.8 million and RMB103.3 million, respectively.

Of all our business contracts across our two business segments entered into during the first half of 2017, the revenue attributable to the business contracts under our transaction platform business recognized during the first half of 2017 accounted for 45.2% of the revenue from all such business contracts entered into during the first half of 2017.

The transaction platform business is comprised of: (i) facilitation and value-added services which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, and earn subscription fees from those that have subscribed to our membership services. Please see the section titled "Business—Transaction Platform Business" for further details.

The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, and (ii) operating lease services, whereby we primarily generate rental revenues from consumers. In connection with our self-operated financing business, we generated significant revenues in 2016 from selling to institutional purchasers, such as auto dealers and leasing companies, automobiles we purchased from auto dealers designated by automakers in order to strengthen our relationship with, and enjoy preferential purchase terms from, such automakers. However, we expect such activities to decrease significantly over time. Please see the section titled "Business—Self-operated Financing Business" for further details.

The following table sets forth the average yield of our net finance receivables for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
Average yield of the net finance receivables(1)	—	7.3%	11.8%	10.8%	13.0%

Note:

(1) Revenues from financing leases divided by quarterly average balance of net finance receivables. As the financing lease services commenced in June 2015, only the balance of last two quarters of 2015 is used to calculate quarterly average balance of net finance receivables.

Cost of revenues

Cost of revenues in our transaction platform business is mainly comprised of employee benefit expenses for the employees operating our transaction platform business and other direct service costs, including bandwidth costs.

Cost of revenues in our self-operated financing business is primarily comprised of funding costs associated with our borrowings used to finance our financing lease services, such as bank loans and ABS, costs associated with automobile sales, and depreciation of the automobiles used in our operating lease services.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our cost of revenues was RMB7.0 million, RMB40.0 million, RMB752.9 million, RMB232.7 million and RMB657.5 million, respectively. We expect our cost of revenues to continue increasing as our business continues to grow.

The following table sets forth the average cost of our interest-bearing liabilities for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
Average cost of the interest-bearing liabilities(1)	—	1.4%	4.3%	3.1%	5.5%

Note:

(1) Sum of funding costs and finance expenses, excluding issuance costs of convertible redeemable preferred shares, divided by quarterly average balance of interest-bearing liabilities. As the interest-bearing liabilities only existed for the last 4 months of 2015, average balance of the last 4 months of 2015 is used to calculate average cost of the interest-bearing liabilities.

For details about our sources of funding, see "Business—Source of Funds."

Gross profit

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our gross profit was RMB41.0 million, RMB231.3 million, RMB735.0 million, RMB223.1 million and RMB893.9 million, respectively, and our gross profit margin was 85.5%, 85.3%, 49.4%, 49.0% and 57.6%, respectively. The following table sets forth our gross profit and gross margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(Unaudited)			
	(in thousands of RMB, except percentages)									
Segment gross profit and gross margin:										
Transaction platform business	41,014	85.5%	171,722	83.4%	170,218	80.2%	46,617	79.8%	248,149	77.3%
Self-operated financing business(1)	—	—	59,555	91.0%	564,791	44.3%	176,513	44.4%	645,713	52.5%
Total	41,014	85.5%	231,277	85.3%	735,009	49.4%	223,130	49.0%	893,862	57.6%

Note:

(1) Gross profit margin decreased significantly in 2016 because our funding costs relating to the self-operated financing business increased, and the gross profit margin from automobile sales was significantly lower than other components of our self-operated financing business.

Within our two business segments, transaction platform business contributed 100.0%, 74.2%, 23.2%, 20.9% and 27.8% of our total gross profit for the year ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, respectively.

The following table sets forth the net interest spread and net interest margin of our financing leases for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
Net interest spread of financing leases(1)	—	6.0%	7.5%	7.6%	7.5%
Net interest margin of financing leases(2)	—	7.2%	8.9%	9.3%	8.1%

Notes:

(1) Difference between the average yield of the net finance receivables and the average cost of the interest-bearing liabilities.

(2) Revenues from financing leases minus funding costs divided by quarterly average balance of the net finance receivables. As the financing lease services commenced in June 2015, only the balance of last 2 quarters of 2015 is used to calculate quarterly average balance of net finance receivables.

Selling and marketing, administrative, and research and development expenses

The following table sets forth a breakdown of our selling and marketing expenses, administrative expenses and research and development expenses in absolute amounts and as percentages of our total revenues for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(Unaudited)			
	(in thousands of RMB, except percentages)									
Selling and marketing expenses	27,723	57.8%	150,699	55.6%	360,098	24.2%	132,818	29.1%	345,652	22.3%
Administrative expenses	5,310	11.1%	20,558	7.6%	225,330	15.1%	36,711	8.1%	182,617	11.8%
Research and development expenses	8,686	18.1%	16,112	5.9%	71,351	4.8%	14,043	3.1%	72,423	4.7%
Total	41,719	86.9%	187,369	69.1%	656,779	44.1%	183,572	40.3%	600,692	38.7%

Selling and marketing expenses

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Employee benefit expenses	17,160	28,807	170,206	64,559	162,247
Marketing and advertising expenditures	4,249	71,326	107,685	31,139	103,510
Depreciation and amortization charges	76	27,110	33,178	15,942	36,183
Leasing related expenses	—	—	8,052	561	12,281
Office rental and administrative expenses	5,396	15,721	34,343	14,496	27,434
Other expenses	842	7,735	6,634	6,121	3,997
Total	27,723	150,699	360,098	132,818	345,652

Our selling and marketing expenses are primarily comprised of employee benefit expenses of selling and marketing personnel, amortization expenses relating to the Business Cooperation Agreement with Bitauto, and marketing and advertising expenses to promote our services and products. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our selling and marketing expenses were RMB27.7 million, RMB150.7 million, RMB360.1 million, RMB132.8 million and RMB345.7 million, respectively. We expect our selling and marketing expenses to continue to increase as we continue to acquire new customers and expand our business. In May 2017, we entered into the Business Cooperation Agreement in relation to the traffic support from Bitauto. This agreement will lead to the recognition of a large amount of intangible assets on our balance sheets, which will in turn result in material amortization expenses during the estimated useful life of intangible assets in the future. For discussion of the traffic support from Bitauto, see "Relationship with Our Controlling Shareholders—Independence from Controlling Shareholders—Operational Independence—Business Cooperation Agreement."

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Employee benefit expenses	4,788	11,737	40,618	8,570	49,635
Depreciation and amortization charges	57	578	3,688	1,524	3,622
Leasing related expenses	—	—	52,326	13,307	26,435
Office rental and administrative expenses	261	3,834	27,238	9,360	20,737
Provision for credit losses of finance receivables	—	—	29,052	—	35,368
Provision for impairment of trade and other receivables	204	572	37,557	—	18,653
Listing expenses	—	—	—	—	5,571
Auditors' remuneration	—	—	2,065	—	1,823
Other expenses	—	3,837	32,786	3,950	20,773
Total	5,310	20,558	225,330	36,711	182,617

Our administrative expenses are primarily comprised of employee benefit expenses of administrative personnel, provision for credit losses of finance receivables, leasing related expenses and office rental and administrative expenses associated with the expansion of our administrative function. From 2016, provisions for impairment of trade and other receivables and provision for credit losses of finance receivables also became important components of our administrative expenses as we continue to grow our businesses. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our administrative expenses were RMB5.3 million, RMB20.6 million, RMB225.3 million, RMB36.7 million and RMB182.6 million, respectively.

Research and development expenses

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Employee benefit expenses	8,465	15,728	66,687	13,595	58,890
Depreciation and amortization charges	86	144	245	88	439
Office rental and administrative expenses	1	240	1,513	360	3,268
Other expenses	134	—	2,906	—	9,826
Total	8,686	16,112	71,351	14,043	72,423

Our research and development expenses are primarily comprised of employee benefit expenses of research and development personnel. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our research and development expenses were RMB8.7 million, RMB16.1 million, RMB71.4 million, RMB14.0 million and RMB72.4 million, respectively.

Other (losses)/gains, net

The following table sets forth a breakdown of our other gains or losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(Unaudited)	
	(in thousands of RMB)				
Government grants	—	179	18,294	6,503	2,585
Fair value gains/(loss) on financial assets	—	2,126	(17,126)	—	6,829
Foreign exchange (losses)/gains, net	(908)	17,222	9,082	3,496	(211)
(Loss)/gain on disposal of property and equipment	—	—	(44)	2	(222)
Others, net	(3)	(88)	7,205	1,461	(4,143)
Total	(911)	19,439	17,411	11,462	4,838

Fair value gain and loss on financial assets are all related to our investments in certain private companies. The government grants are incentives provided by the Shanghai local government to encourage investments in certain industries and the amount we receive each year is determined by the Shanghai local government based on our contribution to the local economy in the previous year. Foreign exchange gains and losses result from the settlement of foreign currency transaction, which are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies. Our foreign exchange (losses)/gains for the year ended December 31, 2016 and six months ended June 30, 2017 mainly related to the cash injected by our shareholders which are denominated in US dollars. All foreign exchange gains and losses are presented within other gains or losses, other than foreign exchange gains and losses that relate to borrowing, which are presented within finance income or expenses.

Operating (loss)/profit and adjusted operating profit

For the year ended December 31, 2014, our operating loss was RMB1.6 million. For the years ended December 31, 2015, 2016 and the six months ended June 30, 2016 and 2017, our operating profit was RMB63.3 million, RMB95.6 million, RMB51.0 million and RMB298.0 million, respectively, and our operating profit margin was (3.4%), 23.4%, 6.4%, 11.2% and 19.1%, respectively. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our adjusted operating profit was RMB2.1 million, RMB94.4 million, RMB150.6 million, RMB68.2 million and RMB350.2 million, respectively, and our adjusted operating profit margin was 4.4%, 34.8%, 10.1%, 15.0% and 22.6%, respectively. The following table sets forth our adjusted operating profit and adjusted operating margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)									
Segment adjusted operating profit and adjusted operating profit margin (unaudited):										
Transaction platform business	2,099	4.4%	60,880	29.6%	31,982	15.1%	13,709	23.5%	101,747	31.7%
Self-operated financing business	—	—	33,481	51.1%	118,640	9.3%	54,472	13.7%	248,437	20.2%
Total	2,099	4.4%	94,361	34.8%	150,622	10.1%	68,181	15.0%	350,184	22.6%

Within our two business segments, transaction platform business contributed 100.0%, 64.5%, 21.2%, 20.1% and 29.1% of our total adjusted operating profit for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, respectively.

Finance income

Finance income is primarily comprised of interest income from our bank deposits. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our finance income was RMB0.8 million, RMB5.3 million, RMB15.8 million, RMB1.1 million and RMB14.9 million, respectively.

Finance expenses

Finance expenses are primarily comprised of interest expenses arising from loans from Bitauto Group to support our general operations and the issuance costs of our Preferred Shares. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our finance expenses was nil, RMB12.2 million, RMB29.3 million, RMB5.4 million and RMB15.6 million, respectively.

Interests arising from borrowings for our working capital and general corporate purposes are recorded as interest expenses, while interests arising from borrowings used to finance our self-operated financing business are recorded as cost of revenues in our consolidated income statements.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares represents changes in fair value of the Preferred Shares issued by us. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our fair value loss of convertible redeemable preferred shares was nil, RMB53.5 million, RMB1,428.1 million, RMB16.8 million and RMB6,300.5 million, respectively. Such loss had increased significantly since the second half of 2016 because our business continued to grow at a fast pace and we were approaching our initial public offering. Assuming the completion of the Global Offering in the year ending December 31, 2017 with the indicative Offer Price ranging from HK$6.60 to HK$7.70, the estimated total fair value loss to be recorded in relation to the Preferred Shares in the year ending December 31, 2017 will be between RMB12.9 billion and RMB16.9 billion. Prior to the Global Offering, the Preferred Shares are not traded in an active market and the fair value at respective reporting dates is determined using valuation techniques. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations of the Preferred Shares during the Track Record Period. On the Listing Date, all our Preferred Shares will be automatically converted into our ordinary shares. The fair value of each Preferred Share will then be equivalent to the fair value of each of our ordinary shares on the conversion date, which is the Offer Price in the Global offering.

We designate the Preferred Shares as financial liabilities at fair value through profit and loss. Any changes in the fair value of the Preferred Shares are recorded as "fair value loss of convertible redeemable preferred shares" in the consolidated income statements.

Profit/(Loss) and adjusted net profit

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our profit/(loss) was RMB0.1 million, RMB(28.2) million, RMB(1,404.3) million, RMB(0.6) million and RMB(6,105.1) million, respectively. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our adjusted net profit was RMB3.8 million, RMB65.6 million, RMB99.7 million, RMB33.3 million and RMB261.2 million, respectively, and our adjusted net profit margin was 7.9%, 24.2%, 6.7%, 7.3% and 16.8%, respectively.

TAXATION

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax.

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

China

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries, and our Consolidated Affiliated Entity and its subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Companies qualified as "software enterprises" will be exempted from enterprise income tax for two years and subject to a preferential income tax rate of 12.5% for the following three years, starting from the first profit-making year. We acquired Shanghai Lanshu in April 2017, and it has completed the registration process for software enterprise application. It will be eligible for enterprise income tax exemption for each of the years ending December 31, 2017 and 2018, and a preferential tax rate of 12.5% for each of the years ending December 31, 2019, 2020 and 2021, respectively.

The effective tax rates were 107.8%, 1,050.3%, (4.3%) and (1.7%) for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. The table below sets forth the detailed calculation.

	Year Ended December 31,			Six Months Ended June 30,
	2014	2015	2016	2017
	(RMB'000)			
(Loss)/Profit Before Income Tax	(829)	2,968	(1,345,995)	(6,003,149)
Tax calculated at PRC statutory income tax rate of 25%	(207)	742	(336,499)	(1,500,787)
Tax effects of:				
—Differential income tax rates applicable to certain entities comprising the Group(1)	283	21,580	370,307	1,585,412
—Income not subject to tax	—	(665)	—	—
—Tax effect of preferential tax treatments	—	—	—	(15,716)
—Expenses not deductible for tax purposes	4,870	4,822	29,251	25,510
—Tax losses and temporary differences for which no deferred income tax asset was recognized	—	4,370	—	3,593
—Utilization of previously unrecognized tax losses and temporary differences	—	—	(4,370)	—
—Recognition of deferred income tax assets previously unrecognized	(5,840)	—	—	—
—Others	—	325	(346)	3,898
Income tax expense	(894)	31,174	58,343	101,910
Effective tax rate (income tax expense/profit before income tax)	107.8%	1,050.3%	(4.3%)	(1.7%)

Note:

(1) The "tax effects of differential income tax rates applicable to certain entities comprising the Group" is mainly due to the income tax rate difference related to us, between the applicable income tax rate of 0% in Cayman Islands and the PRC statutory income tax rate of 25%, and multiplied by our loss before tax. Our loss before tax during the Track Record Period was mainly associated with our fair value loss of the convertible redeemable preferred shares.

The Company's effective tax rate had fluctuated significantly during the Track Record Period and deviated from the PRC statutory income tax rate of 25% because (i) its Cayman holding company is not subject to Cayman Islands income tax, and therefore its operating results, including the large amount of fair value loss of the Preferred Shares during the Track Record Period, are not subject to any income tax; and (ii) certain expenses such as share-based compensation is not deductible for tax purposes.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. During the Track Record Period, we did not have any plan to require our PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand our business in China.

PERIOD TO PERIOD COMPARISON OF RESULT OF OPERATIONS

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenues

Our revenues increased significantly from RMB455.8 million for the six months ended June 30, 2016 to RMB1,551.4 million for the six months ended June 30, 2017.

Revenues derived from our transaction platform business increased significantly from RMB58.4 million for the six months ended June 30, 2016 to RMB321.1 million for the six months ended June 30, 2017. This increase was primarily due to the introduction of our facilitation and value-added services and the rapid growth of our advertising and subscription services, especially after we launched sales of vehicle telematics systems and further expanded our promotional service. Sales of vehicle telematics systems and promotional service recorded revenues of RMB81.2 million and RMB68.9 million, respectively, for the six months ended June 30, 2017.

Revenues derived from our self-operated financing business increased significantly from RMB397.4 million for the six months ended June 30, 2016 to RMB1,230.3 million for the six months ended June 30, 2017, due to the continuous expansion of self-operated financing business, particularly our financing lease business as well as our operating lease business after we launched the Kaizouba service line in February 2017. Within all revenues derived from self-operated financing business for the six months ended June 30, 2017, RMB1,115.6 million was from our financing lease and operating lease services. The remaining RMB114.7 million of the revenues were mainly derived from automobile sales, which we expect to decrease significantly over time.

Average yield of our net finance receivables increased from 10.8% in the first half of 2016 to 13.0% in the first half of 2017, as the portion of finance receivables related to inventory financing to auto dealers continued to drop from 2016 to 2017 and the average yield of inventory financing to auto dealers is comparatively lower than the average yield of financing lease to consumers.

Cost of revenues

Cost of revenues increased significantly from RMB232.7 million for the six months ended June 30, 2016 to RMB657.5 million for the same period in 2017.

Cost of revenues of our transaction platform business increased rapidly from RMB11.8 million for the six months ended June 30, 2016 to RMB73.0 million for the same period in 2017, primarily due to (i) an increase of RMB30.6 million in cost of vehicle telematics devices sold as a result of the commencement of the sales of vehicle telematics systems in the second quarter of 2017 and (ii) an increase of RMB7.0 million in employee benefit expenses mainly as a result of expansion of this business segment.

Cost of revenues of our self-operated financing business increased significantly from RMB220.9 million for the six months ended June 30, 2016 to RMB584.6 million for the same period in 2017, primarily because (i) our funding costs relating to the self-operated financing business increased from RMB27.2 million to RMB409.2 million, as a result of the rapid expansion of this business segment; partially offset by (ii) the decrease of RMB77.8 million in cost of automobiles that were later sold. Funding costs increased significantly mainly because we continued to switch to external funding sources in 2017 to fund our self-operated financing business. The average cost of our interest-bearing liabilities increased from 3.1% in the first half of 2016 to 5.5% in the same period in 2017 due to a larger portion of funding from external sources and general rise of cost of funds in the market.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB223.1 million for the six months ended June 30, 2016 to RMB893.9 million for the same period in 2017, and our overall gross profit margin increased from 49.0% for the six months ended June 30, 2016 to 57.6% for same period in 2017.

Gross profit of our transaction platform business was RMB46.6 million and RMB248.1 million for the first half of 2016 and 2017, respectively. Gross profit margin of this segment slightly decreased from 79.8% for the first half of 2016 to 77.3% for the same period in 2017, because our further expanded promotional service and the newly launched sales of vehicle telematics system had comparably lower gross margin than the rest of transaction platform business.

Gross profit of our self-operated financing business increased significantly from RMB176.5 million for first half of 2016 to RMB645.7 million for the same period in 2017. Gross profit margin of this segment increased from 44.4% for first half of 2016 to 52.5% for the same period in 2017. The improvement of gross margin was primarily due to a significant decrease of revenues derived from the low-margin automobile sales as a part of the revenues from self-operated financing business, which overrode the impact of rising funding costs. We expect revenues derived in automobile sales to continue to decrease over time.

Due to the increase in the average yield of our finance receivables and the average cost of our interest-bearing liabilities, the net interest spread of our financing leases decreased from 7.6% in the first half of 2016 to 7.5% for the same period in 2017 and the net interest margin of our financing leases decreased from 9.3% to 8.1% during the same period, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by 160.2% from RMB132.8 million for the six months ended June 30, 2016 to RMB345.7 million for the same period in 2017, primarily due to (i) an increase of employee benefit expenses of RMB97.7 million, as the headcount of our selling and marketing department increased from 1,058 as of June 30, 2016 to 3,562 as of June 30, 2017; (ii) a growth in marketing and advertising expenditures of RMB72.4 million as we invested more in promoting our services in 2017; and (iii) an increase of RMB20.2 million in depreciation and amortization charges. Our intangible assets increased significantly in the first half of 2017 after we entered into the Business Cooperation Agreement in our reorganization in 2017. This growth of intangible assets led to an increase of amortization charges for the six months ended June 30, 2017.

Between our two business segments, the selling and marketing expenses for our transaction platform business increased in the first half of 2017 as compared to the same period in 2016 mainly because we started facilitation services in the second half of 2016 and further expanded promotional services in the second quarter of 2017, respectively, which both required a large selling and marketing team to support the new businesses.

The selling and marketing expenses for our self-operated financing business increased significantly because we (i) employed additional selling and marketing personnel related to consumer acquisition, transaction conversion and facilitation; and (ii) increased our spending on marketing and advertising activities as our self-operated financing business grew in 2017.

Administrative expenses

Our administrative expenses increased significantly from RMB36.7 million for the six months ended June 30, 2016 to RMB182.6 million for the same period in 2017, primarily due to (i) an increase of RMB41.1 million in employee benefit expenses, as the headcount of our administration department increased from 77 as of June 30, 2016 to 266 as of June 30, 2017, which was mainly the result of increasing administrative personnel related to our self-operated financing business, (ii) an increase of RMB35.4 million in provision for credit losses of finance receivables, which accompanied the rapid growth of our financing lease services, (iii) an increase of RMB13.1 million in leasing related expenses including collection agency fees and credit enquiry fees, as we had significantly expanded our financing lease and operating lease services since the second half of 2016.

Research and development

Our research and development expenses increased significantly from RMB14.0 million for the six months ended June 30, 2016 to RMB72.4 million for the same period in 2017, primarily due to the increase of RMB45.3 million in employee benefit expenses arising from the expansion of our research and development department from 260 team members as of June 30, 2016 to 529 as of June 30, 2017. We expanded our research and development team to upgrade features and functions of websites and mobile apps in the first half of 2017.

Other (losses)/gains, net

Other net gains decreased by 57.8% from RMB11.5 million for the six months ended June 30, 2016 to RMB4.8 million for the same period in 2017. The decrease was primarily attributable to (i) a decrease of RMB3.9 million in government grants and (ii) a foreign exchange loss of RMB0.2 million for the six months ended June 30, 2017 as compared to a foreign exchange gain of RMB3.5 million for the same period in 2016.

Operating profit and adjusted operating profit

As a result of the foregoing, our operating profit increased significantly from RMB51.0 million for the six months ended June 30, 2016 to RMB298.0 million for the same period in 2017. Our adjusted operating profit also increased rapidly from RMB68.2 million for the six months ended June 30, 2016 to RMB350.2 million for the same period in 2017, and our adjusted operating profit margin improved from 15.0% to 22.6% during the same period.

Finance income

Our finance income increased significantly from RMB1.1 million for the six months ended June 30, 2016 to RMB14.9 million for the same period in 2017, due to the increased interest income associated with our increased balance of restricted cash as well as cash and cash equivalents.

Finance expenses

Our finance expenses increased by 189.6% from RMB5.4 million for the six months ended June 30, 2016 to RMB15.6 million for the same period in 2017, due to an increase of RMB14.3 million in costs associated with the issuance of Preferred Shares, including fees paid to professional advisors, partially offset by the decrease of interest expenses in relation to loans from Bitauto Group which we had been gradually repaying.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the six months ended June 30, 2016 and 2017 was RMB16.8 million and RMB6.3 billion, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Income tax expense

Our income tax expenses increased from RMB30.6 million for the six months ended June 30, 2016 to RMB101.9 million for the same period in 2017. The increase was primarily attributable to the increase of taxable profit of some of our subsidiaries in China.

Loss for the period and adjusted net profit

As a result of the foregoing, our loss was RMB0.6 million and RMB6.1 billion for the six months ended June 30, 2016 and 2017, respectively. Our adjusted net profit was RMB33.3 million and RMB261.2 million for the six months ended June 30, 2016 and 2017, respectively, and our adjusted net profit margin increased from 7.3% for the six months ended June 30, 2016 to 16.8% for the same period in 2017.

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

Revenues

Our revenues increased significantly from RMB271.3 million for the year ended December 31, 2015 to RMB1,487.9 million for the year ended December 31, 2016. This increase was primarily the result of the rapid expansion of our self-operated financing business.

Revenues derived from our transaction platform business increased by 3.1% from RMB205.8 million for the year ended December 31, 2015 to RMB212.2 million for the year ended December 31, 2016. This increase was primarily because we commenced loan facilitation services and the transaction facilitation services in April 2016 and in November 2016, respectively, while we only had the advertising and subscription services business in 2015.

Revenues derived from our self-operated financing business increased significantly from RMB65.5 million for the year ended December 31, 2015 to RMB1,275.7 million for the year ended December 31, 2016. We started the financing lease services in June 2015, which expanded rapidly in 2016. We generated RMB779.5 million of the revenues from self-operated financing business from our financing lease and operating lease services in 2016. The remaining RMB496.2 million of revenues from this segment were mainly derived from automobile sales, which we expect to decrease significantly over time.

Average yield of our net finance receivables increased from 7.3% in 2015 to 11.8% in 2016, as the portion of finance receivables related to inventory financing to auto dealers significantly dropped from 2015 to 2016 and the average yield of inventory financing to auto dealers is comparatively lower than the yield of financing lease to consumers.

Cost of revenues

Cost of revenues increased significantly from RMB40.0 million for the year ended December 31, 2015 to RMB752.9 million for the year ended December 31, 2016.

Cost of revenues of our transaction platform business increased by 23.0% from RMB34.1 million in 2015 to RMB41.9 million in 2016, primarily due to an increase of RMB8.0 million in employee benefits expenses as a result of the commencement of our loan facilitation services and transaction facilitation services in April 2016 and in November 2016, respectively.

Cost of revenues of our self-operated financing business increased significantly from RMB5.9 million in 2015 to RMB711.0 million in 2016, primarily because (i) our funding costs relating to the self-operated financing business increased from RMB0.6 million to RMB187.2 million, as a result of the rapid expansion of this business segment; and (ii) we recorded costs amounting to RMB471.7 million in relation to the purchase of automobiles that were later sold. Funding costs increased significantly in 2016 because we primarily relied on our internal funding sources to fund our self-operated financing services in 2015, while we started to utilize external funding sources in 2016, including borrowings from banks and other financial institutions, issuance of ABSs and loans from Bitauto Group. The average cost of our interest-bearing liabilities increased from 1.4% in 2015 to 4.3% in 2016 due to a larger portion of funding from external sources.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB231.3 million for the year ended December 31, 2015 to RMB735.0 million for the year ended December 31, 2016, and our overall gross profit margin decreased from 85.3% for the year ended December 31, 2015 to 49.4% for the year ended December 31, 2016.

Gross profit of our transaction platform business was RMB171.7 million and RMB170.2 million for 2015 and 2016, respectively. Gross profit margin of this segment decreased slightly from 83.4% for the year ended December 31, 2015 to 80.2% for the year ended December 31, 2016.

Gross profit of our self-operated financing business increased significantly from RMB59.6 million for the year ended December 31, 2015 to RMB564.8 million for the year ended December 31, 2016. Gross profit margin of this segment decreased from 91.0% for the year ended December 31, 2015 to 44.3% for the year ended December 31, 2016. The gross margin decreased significantly because our funding costs relating to the self-operated financing business increased, and we recorded revenues derived from the low-margin automobile sales as a part of the revenues from self-operated financing business in 2016. We expect revenues derived in this manner to decrease significantly over time.

Due to changes in the average yield of our finance receivables and the average cost of our interest-bearing liabilities as discussed above, our net interest spread of financing leases increased from

6.0% in 2015 to 7.5% in 2016, and our net interest margin of financing leases increased from 7.2% in 2015 to 8.9% in 2016.

Selling and marketing expenses

Our selling and marketing expenses increased by 139.0% from RMB150.7 million for the year ended December 31, 2015 to RMB360.1 million for the year ended December 31, 2016, primarily due to (i) an increase of employee benefit expenses of RMB141.4 million, as the headcount of our selling and marketing department increased from 648 as of December 31, 2015 to 2,705 as of December 31, 2016; and (ii) a growth in marketing and advertising expenditures of RMB36.4 million as we invested more in promoting our services in 2016.

Between our two business segments, the selling and marketing expenses for our transaction platform business decreased in 2016. We incurred comparably higher selling and marketing expenses in 2015 to promote our rapidly growing advertising services. In 2016, the need to incur marketing and advertising expenses decreased as our platform has been widely recognized in China and we started to attract more users to our platform.

The selling and marketing expenses for our self-operated financing business increased significantly because we (i) employed additional selling and marketing personnel related to consumer acquisition and transaction conversion and facilitation; and (ii) increased our spending on marketing and advertising activities as our self-operated financing business grew in 2016.

Administrative expenses

Our administrative expenses increased significantly from RMB20.6 million for the year ended December 31, 2015 to RMB225.3 million for the year ended December 31, 2016, primarily due to (i) an increase of RMB37.0 million in provision for impairment of trade and other receivables, primarily arising from our risk assessment with respect to certain categories of advertising customers; (ii) an increase of RMB29.1 million in provision for credit losses of finance receivables, which accompanied the rapid growth of our financing lease services; (iii) an increase of RMB28.9 million in employee benefit expenses, as the headcount of our administration department increased from 27 as of December 31, 2015 to 203 as of December 31, 2016, which was mainly the result of increasing administrative personnel related to our self-operated financing business; and (iv) an increase of RMB52.3 million in leasing related expenses including collection agency fees and credit enquiry fees, as we significantly grew our financing lease and operating lease services in 2016.

Research and development

Our research and development expenses increased significantly from RMB16.1 million for the year ended December 31, 2015 to RMB71.4 million for the year ended December 31, 2016, primarily due to the increase of RMB51.0 million in employee benefit expenses, mainly due to increased headcount of our research and development department from 166 as of December 31, 2015 to 352 as of December 31, 2016.

Other (losses)/gains, net

Other net gains decreased by 10.4% from RMB19.4 million for the year ended December 31, 2015 to RMB17.4 million for the year ended December 31, 2016. The decrease was primarily attributable to (i) a fair value loss on financial assets of RMB17.1 million as a result of a decline in the fair value of our investment in certain private investee companies, and (ii) a decrease of net foreign exchange gains of RMB8.1 million in 2016, which was partially offset by an increase of RMB18.1 million of local government grants. The increase of government grants in 2016 was the result of our growing contribution to Shanghai local economy as our business grew in 2015 as compared to 2014.

Operating profit and adjusted operating profit

As a result of the foregoing, our operating profit was RMB95.6 million for 2016, as compared to RMB63.3 million for 2015. Our adjusted operating profit was RMB150.6 million for 2016, as compared to RMB94.4 million for 2015, representing an increase of 59.6%. Our adjusted operating profit margin decreased from 34.8% for 2015 to 10.1% for 2016.

Finance income

Our finance income increased by 198.2% from RMB5.3 million for the year ended December 31, 2015 to RMB15.8 million for the year ended December 31, 2016, due to the increased interest income associated with our increased balance of restricted cash, cash and cash equivalents.

Finance expenses

Our finance expenses increased by 139.6% from RMB12.2 million for the year ended December 31, 2015 to RMB29.3 million for the year ended December 31, 2016, due to an increase of RMB5.2 million in interest expenses in relation to loans from Bitauto Group and an increase of RMB11.9 million in cost associated with the issuance of Preferred Shares, including fees paid to professional advisors.

Income tax expense

Our income tax expenses increased from RMB31.2 million for the year ended December 31, 2015 to RMB58.3 million for the year ended December 31, 2016. The increase was primarily attributable to the increase of taxable profit of some of our subsidiaries and Consolidated Affiliated Entity in China.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the years ended December 31, 2015 and 2016 was RMB53.5 million and RMB1,428.1 million, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Loss for the year and adjusted net profit

As a result of the foregoing, our loss was RMB1,404.3 million for the year ended December 31, 2016, as compared to RMB28.2 million for the year ended December 31, 2015. Our adjusted net profit was RMB99.7 million for the year ended December 31, 2016, as compared to RMB65.6 million for the year ended December 31, 2015, representing an increase of 51.9%. Our adjusted net profit margin decreased from 24.2% for the year ended December 31, 2015 to 6.7% for the year ended December 31, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Our revenues increased significantly from RMB48.0 million for the year ended December 31, 2014 to RMB271.3 million for the year ended December 31, 2015. This increase was primarily the result of the expansion of our transaction platform business and the commencement of self-operated financing business in 2015.

Revenues derived from our transaction platform business increased by 328.9% from RMB48.0 million for the year ended December 31, 2014 to RMB205.8 million for the year ended December 31, 2015. This increase was primarily due to the growth of our advertising services.

We commenced our self-operated financing business in June 2015, and recorded revenues of RMB65.5 million for the first year.

Cost of revenues

Cost of revenues increased significantly from RMB7.0 million for the year ended December 31, 2014 to RMB40.0 million for the year ended December 31, 2015, largely in line with the revenue growth.

Cost of revenues of our transaction platform business increased by 388.7% from RMB7.0 million in 2014 to RMB34.1 million in 2015, primarily because of the increase in costs of promotional activities related to the expansion of our advertising and subscription services and the increase in employee benefit expenses arising from the expansion of our transaction platform business in 2015.

We commenced our self-operated financing business in June 2015, and recorded a cost of revenues of RMB5.9 million for the first year.

Gross profit and gross margin

As a result of the foregoing, our total gross profit increased from RMB41.0 million for the year ended December 31, 2014 to RMB231.3 million for the year ended December 31, 2015, and our overall gross profit margin stayed largely stable, changing from 85.5% in 2014 to 85.3% in 2015.

Gross profit of our transaction platform business was RMB41.0 million and RMB171.7 million for 2014 and 2015, respectively. Gross profit margin of this segment stayed largely stable, and was 85.5% and 83.4% for 2014 and 2015, respectively.

We commenced our self-operated financing business in June 2015, and recorded a gross profit of RMB59.6 million and gross margin of 91.0% for the first year.

Selling and marketing expenses

Our selling and marketing expenses increased significantly from RMB27.7 million for the year ended December 31, 2014 to RMB150.7 million for the year ended December 31, 2015, primarily due to (i) a growth of RMB67.1 million in marketing and advertising expenditures as our self-operated financing business kicked off in June 2015 and we incurred additional marketing expenses to promote it; (ii) an increase of RMB26.9 million in amortization expenses for the traffic support arrangement with Bitauto, which we entered into in February 2015; and (iii) an increase of employee benefit expenses of RMB11.6 million, as the headcount of our selling and marketing department increased from 151 as of December 31, 2014 to 648 as of December 31, 2015.

Administrative expenses

Our administrative expenses increased from RMB5.3 million for the year ended December 31, 2014 to RMB20.6 million for the year ended December 31, 2015, primarily due to (i) an increase of RMB6.9 million in employee benefit expenses, as the headcount of our administration department increased from 9 as of December 31, 2014 to 27 as of December 31, 2015; and (ii) an increase of RMB3.6 million in office rental and administrative expenses associated with the expansion of our administrative function as the result of the growth of our business.

Research and development

Our research and development expenses increased significantly from RMB8.7 million for the year ended December 31, 2014 to RMB16.1 million for the year ended December 31, 2015, primarily due to the increase of RMB7.3 million in employee benefit expenses, which resulted from increased headcount of our research and development department from 46 as of December 31, 2014 to 166 as of December 31, 2015.

Other (losses)/gains, net

We recorded a net other gain of RMB19.4 million in 2015, compared to a net other loss of RMB0.9 million in 2014. This change was primarily due to an increase of foreign exchange gains of RMB18.1 million, as the proceeds received from the issuance of Preferred Shares were all in US dollars and hence foreign exchange gains arose from the appreciation of US dollar against Renminbi in 2015.

Operating (loss)/profit and adjusted operating profit

As a result of the foregoing, our operating profit was RMB63.3 million for the year ended December 31, 2015, as compared to loss of RMB1.6 million for the year ended December 31, 2014. Our adjusted operating profit was RMB94.4 million for the year ended December 31, 2015, as compared to RMB2.1 million for the year ended December 31, 2014. Our adjusted operating profit margin increased from 4.4% for the year ended December 31, 2014 to 34.8% for the year ended December 31, 2015.

Finance income

Our finance income increased from RMB0.8 million for the year ended December 31, 2014 to RMB5.3 million for the year ended December 31, 2015, due to the growth of interest income associated with the increase in bank deposits.

Finance expenses

Our finance expenses increased from nil for the year ended December 31, 2014 to RMB12.2 million for the year ended December 31, 2015, due to an increase of RMB2.9 million in interest expenses as we incurred more borrowings from Bitauto Group to finance our working capital and for general corporate purposes, and an increase of RMB9.3 million in cost associated with the issuance of Preferred Shares, including fees paid to professional advisors.

Income tax expense

Our income tax expenses were RMB31.2 million in 2015, compared to an income tax benefit of RMB0.9 million in 2014. This change was primarily because none of our group companies recorded taxable profit in 2014 while certain of our subsidiaries and Consolidated Affiliated Entity in China recorded taxable profit and incurred tax expenses accordingly in 2015.

Fair value loss of convertible redeemable preferred shares

Fair value loss of convertible redeemable preferred shares for the years ended December 31, 2014 and 2015 was nil and RMB53.5 million, respectively. We used discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period. Please refer to Note 27 to the Accountant's Report included in Appendix I for details of the key assumptions of the valuations.

Profit/(Loss) for the year and adjusted net profit

As a result of the foregoing, we recorded a loss of RMB28.2 million for the year ended December 31, 2015, compared to a profit of RMB65,000 for the year ended December 31, 2014. Our adjusted net profit was RMB65.6 million for the year ended December 31, 2015, compared to RMB3.8 million for the year ended December 31, 2014, representing an increase of 1,635.5%. Our adjusted net profit margin increased from 7.9% for the year ended December 31, 2014 to 24.2% for the year ended December 31, 2015.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Total non-current assets	5,449	784,452	9,491,664	16,097,902
Total current assets	240,353	3,081,502	10,559,715	12,634,477
Total assets	245,802	3,865,954	20,051,379	28,732,379
Total non-current liabilities	—	2,617,971	11,401,179	22,186,259
Total current liabilities	96,252	1,117,624	10,034,675	14,177,931
Total liabilities	96,252	3,735,595	21,435,854	36,364,190
Accumulated losses	(44,445)	(74,884)	(1,491,133)	(7,590,508)
Total equity	149,550	130,359	(1,384,475)	(7,631,811)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2014	2015	2016	2017	2017
					(Unaudited)
	(in thousands of RMB)				
Current assets					
Finance receivables	—	2,172,475	6,086,662	8,049,350	10,276,618
Trade receivables	10,216	127,784	180,145	308,913	533,949
Prepayments, deposits and other assets	38,628	70,850	604,425	546,309	695,495
Cash and cash equivalents	191,509	710,393	660,852	1,168,416	857,567
Restricted cash	—	—	3,027,631	2,561,489	2,030,402
Total current assets	240,353	3,081,502	10,559,715	12,634,477	14,394,031
Current liabilities					
Trade payables	2,049	97,452	508,385	469,650	785,598
Other payables and accruals	94,203	999,073	1,375,071	1,198,128	1,517,214
Current income tax liabilities	—	21,099	45,426	68,201	53,710
Borrowings	—	—	8,105,793	12,441,952	16,195,322
Total current liabilities	96,252	1,117,624	10,034,675	14,177,931	18,551,844
Net current assets (liabilities)	144,101	1,963,878	525,040	(1,543,454)	(4,157,813)

Our net current assets increased from RMB144.1 million as of December 31, 2014, to RMB1,963.9 million as of December 31, 2015, then decreased to RMB525.0 million as of December 31, 2016. We had net current liabilities of RMB1,543.5 million as of June 30, 2017, and we continued to have net current liabilities of RMB4.2 billion as of September 30, 2017.

The increase of net current assets from December 31, 2014 to December 31, 2015 was because we raised RMB2,389.6 million through issuance of Preferred Shares in 2015 and used a large portion of the proceeds in our financing lease services. This led to a big increase in cash and cash equivalents as well as current portion of finance receivables.

The decrease of net current assets from December 31, 2015 to December 31, 2016 was because we sought external funding sources to fund the expansion of our financing lease services. A large portion of the borrowings we received in 2016 were short-term borrowings which resulted in a rapid increase in current liabilities. Additionally, as our financing lease contracts generally have terms ranging from one year to three years, relatively more finance receivables were classified as non-current assets. This altogether led to the decrease of net current assets as of December 31, 2016 compared to that as of December 31, 2015. For the similar reasons, we had net current liabilities of RMB1,543.5 million as of June 30, 2017, compared to net current assets of RMB525.0 million as of December 31, 2016.

We raised RMB2.6 billion through securitization transactions in August 2017, which have improved our working capital position. We expect to further improve our working capital position by reducing the percentage of short-term borrowings in our total borrowings and generating more cash flows from our operations as our business scale increases.

Intangible assets

Our intangible assets are comprised of goodwill, trademarks and licenses, customer relationships, domain names, computer software and technology, and the business cooperation agreements. The following table sets forth our intangible assets as of the dates indicated.

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

The business cooperation agreements comprise of Bitauto Group's direction of all online enquiries regarding automobile financing lease and automobile financing services and products arising from Bitauto Group's websites to our Group (the "**2015 Traffic Support Services**"), free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business (the "**2017 Traffic Support Services**"), Bitauto Group's non-compete undertakings ("**Non-compete Undertakings**") in relation to the used automobile-related business, and free access to Bitauto Group's automobile model database ("**Automobile Model Database**") for 20 years. The amortization charges are included in the "selling and marketing expenses" of the consolidated income statements.

The 2015 Traffic Support Services is comprised of automobile financing services traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to our Group. It is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the forecasted number of transaction leads that will be referred to the Group, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group applied a discount rate of 16.2% for valuing the 2015 Traffic Support Services. The intangible asset is amortized on a straight-line basis over three years up to February 16, 2018, which is the term stipulated in the 2015 Traffic Support Services.

The 2017 Traffic Support Services is comprised of automobile financing services traffic support and used automobile-related business traffic support. The automobile financing services traffic support refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group commencing on February 17, 2018, that is, upon the expiry of the 2015 Traffic Support Services. The used automobile-related business traffic support refers to all enquiries regarding used automobile-related business arising from Bitauto Group, and is directed from Bitauto Group to us commencing on May 26, 2017. Such used automobile-related business traffic support was not included in the 2015 Traffic Support Services.

The 2017 Traffic Support Services is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14%

to the estimated cost saving for each year to determine the fair value. As there is a commitment on the number of transaction leads, the 2017 Traffic Support Services is/will be amortized on an actual usage basis, i.e. based on the actual number of transaction leads directed to the Group by Bitauto Group during the year or period. Unlike the 2015 Traffic Support Services where there was not a commitment on the number of transaction leads during the contractual period and therefore the straight-line amortization method was applied, we apply the actual usage amortization method for the 2017 Traffic Support Services because (i) the consumption of future economic benefits is through the referral of transaction leads, (ii) there was a commitment in relation to the number of transaction leads to be provided, and (iii) we believe we have established appropriate system functionality to reliably measure such usage for each reporting period.

The Non-compete Undertakings is recognized at its fair value, which is established using the with and without method. The Group applied a discount rate of 16% for valuing the Non-compete Undertakings. The intangible asset is amortized on a straight-line basis over 15 years.

The Automobile Model Database is recognized at its fair value, which is established using the cost saving method. The Group applied a discount rate of 14% for valuing the Automobile Model Database. The intangible asset is amortized on a straight-line basis over 20 years which is the term stipulated in the Business Cooperation Agreement.

A summary of intangible assets recorded as part of 2017 Reorganization is as follows:

	RMB'000
2017 Traffic Support Services:	
Automobile Financing Service Traffic Support	459,654
Used Automobile-Related Business Traffic Support	872,582
Non-Compete Undertakings	309,686
Automobile Model Database	610,374
	2,252,296

In accordance with IAS 36 "Impairment of Assets," our intangible assets are amortized over the respective estimated useful lives and an impairment assessment is only required if there are any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable. Our intangible assets that are not yet in use and with indefinite useful lives are tested at each year end for impairment. As of June 30, 2017, our management did not identify any impairment indicators given (a) it has been only one month since the date of acquisition of the Business Cooperation Agreement in our reorganization in 2017; (b) since the date of the acquisition, our management is not aware of any negative factors that could potentially impact the businesses, the way the intangible assets are being used, or the key assumptions utilized in the fair value assessment of the intangible assets on the date of acquisition, and accordingly, no impairment assessment was considered necessary. As the factors underlying the assumptions for the fair value assessment of intangible assets may change, we may incur impairment charges on our intangible assets in the future.

Finance receivables

We provide financing lease services in our self-operated financing business segment. Customers pay us interest and principal on a monthly basis. The following table sets forth our finance receivables as of the dates indicated:

	As of December 31,			As of June 30, 2017
	2014	2015	2016	
		(in thousands of RMB)		
Finance receivables, gross	—	3,161,600	16,741,372	22,814,124
Unearned finance income	—	(300,120)	(2,355,020)	(3,104,963)
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Less: provision for credit losses	—	—	(22,486)	(30,747)
Carrying amount of finance receivables	—	2,861,480	14,363,866	19,678,414

The gross finance receivables include both interests and principal amounts we expect to receive from our customers under financing lease contracts. It arrives at the net finance receivables after deducting interest payments, which are also the revenues to be recognized over the lease period, and provision for credit losses. We generally require our customers to make down payments under the financing lease agreements. As of June 30, 2017, the down-payment ratio of our automobile purchase financing for consumers was 32.6%, and the average loan-to-value ratio of our collateralized financing for consumers was 73.2%.

Our carrying amount of finance receivables increased significantly from RMB2.9 billion as of December 31, 2015 to RMB14.4 billion as of December 31, 2016 and further to RMB19.7 billion as of June 30, 2017, primarily due to the rapid expansion of our financing lease services in 2016 and 2017. We did not have finance receivables as of December 31, 2014 because we only started the financing lease services in June 2015.

Our financing lease contracts generally have terms ranging from one year to three years. The table below sets out the breakdown of terms of all our finance receivables.

	As of December 31,			As of June 30, 2017
	2014	2015	2016	
		(in thousands of RMB)		
Within one year	—	2,172,475	6,095,478	8,061,245
After one year but not more than five years	—	689,005	8,290,874	11,647,916
Finance receivables, net	—	2,861,480	14,386,352	19,709,161

The proportion of finance receivables with terms longer than one year as of December 31, 2016 was significantly larger than that of December 31, 2015 because when we first started our financing lease services, our main customers were auto dealers, with whom we generally had shorter leasing terms compared with individual consumers. As of December 31, 2015, 62.5% of our total finance receivables were from auto dealers while this percentage dropped to 1.3% as of June 30, 2017 as we switched to increasingly target individual consumers.

Quality of finance receivables

The following table sets forth an aging analysis of our net finance receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Not past due	—	2,861,480	14,178,815	19,270,909
Past due				
Up to 1 month	—	—	110,032	263,170
1 to 3 months	—	—	40,331	74,925
3 to 6 months	—	—	37,584	54,948
Over 6 months	—	—	19,590	45,209
Total past due	—	—	207,537	438,252
Finance receivables, net	**—**	**2,861,480**	**14,386,352**	**19,709,161**

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the provision for the past due finance receivables based on estimates of the respective loss probability derived from our historical experience. Although our provision for credit losses did not cover all finance receivables past due over six months as of June 30, 2017, we believe we have provided adequate provision for potential credit losses given historically we have been able to effectively recover through continuous collection and disposal of collateral assets even long after finance receivables became past due. For the six months ended June 30, 2017, we were able to recover RMB10.0 million of finance receivables, or 51.0% of the total of RMB19.6 million finance receivables that were past due for more than six months as of December 31, 2016. We will continually monitor the changes in asset quality of our asset portfolio and adjust our provision level accordingly to reflect the development of our business and asset portfolio.

The following table sets forth our net finance receivables, the amount of net finance receivables that are past due for 30 days, 90 days or 180 days and the corresponding past due ratios, and the amount of provision for credit losses and the corresponding coverage ratios as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB, except for percentage)			
Finance receivables, net	—	2,861,480	14,386,352	19,709,161
Provision for credit losses	—	—	(22,486)	(30,747)
Provision to net finance receivables ratio(1)	—	—	0.16%	0.16%
30+ days past due net finance receivables(2)			97,505	175,082
90+ days past due net finance receivables(3)	—	—	57,174	100,157
180+ days past due net finance receivables(4)	—	—	19,590	45,209
30+ days past due ratio(5)			0.68%	0.89%
90+ days past due ratio(6)	—	—	0.40%	0.51%
180+ days past due ratio(7)	—	—	0.14%	0.23%
30+ days past due coverage ratio(8)			23.1%	17.6%
90+ days past due coverage ratio(9)	—	—	39.3%	30.7%
180+ days past due coverage ratio(10)	—	—	114.8%	68.0%

Notes:

(1) Provision for credit losses divided by net finance receivables.

(2) Net finance receivables that have been past due for over 30 days, which include those past due for 1 to 3 months, 3 to 6 months and over 6 months.

(3) Net finance receivables that have been past due for over 90 days, which include those past due for 3 to 6 months and over 6 months.
(4) Net finance receivables that have been past due for over 6 months.
(5) 30+ days past due net finance receivables divided by net finance receivables.
(6) 90+ days past due net finance receivables divided by net finance receivables.
(7) 180+ days past due net finance receivables divided by net finance receivables.
(8) Provision for credit losses divided by 30+ days past due net finance receivables.
(9) Provision for credit losses divided by 90+ days past due net finance receivables.
(10) Provision for credit losses divided by 180+ days past due net finance receivables.

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

Since we have only recently entered into the self-operated financing business, our historical past due ratios and other information about our asset quality are not indicative of our future past due ratios and our other asset quality information in the future.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we had written off nil, nil, RMB6.6 million and RMB27.1 million of our net finance receivables, respectively.

Trade receivables

We record the amount we expect to receive from the provision of our products and services, other than financing lease services as trade receivables on our balance sheet, including service fees, advertising fees and rental fees we expect to receive from transaction facilitation services, loan facilitation services, advertising services and operating lease services as well as sales revenue we expect to receive by selling vehicle telematics systems. Our trade receivables are inclusive of the revenues we earn and the corresponding VAT that we collect from our customers.

During the Track Record Period, most of the trade receivables are from advertising business and operating lease services. Customers are expected to pay us on a monthly basis for the operating lease services, while the payment schedule for advertisers varies.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30, 2017
	2014	2015	2016	
	(in thousands of RMB)			
Trade receivables	11,180	129,320	216,632	354,351
Less: provision for impairment	(964)	(1,536)	(36,487)	(45,438)
Trade receivables, net	10,216	127,784	180,145	308,913

Our net trade receivables increased by 71.5% from RMB180.1 million as of December 31, 2016 to RMB308.9 million as of June 30, 2017. We significantly expanded our promotional service and started selling vehicle telematics systems to auto dealers in the second quarter of 2017. Trade receivables of RMB168.0 million was generated by providing these services in the second quarter of 2017, and a large portion of these trade receivables had not been collected as of June 30, 2017.

Our net trade receivables increased by 41.0% from RMB127.8 million as of December 31, 2015 to RMB180.1 million as of December 31, 2016, primarily due to the expansion of our operating lease services in 2016 and as a result of the growth in revenues from advertising services in 2015. We were still in the process of collecting advertising fees as of December 31, 2016.

Our net trade receivables increased significantly from RMB10.2 million as of December 31, 2014 to RMB127.8 million as of December 31, 2015, mainly because our advertising services grew significantly in 2015.

The turnover days of trade receivables for 2014, 2015, 2016 and the first half of 2017 were 70, 125, 88, and 111, respectively. We calculate turnover days of trade receivables by dividing the average of the opening and closing balance of our gross trade receivables of the indicated period by our revenues for such period and multiplied by the number of days in such period, being 365 days for a full-year period. For the purpose of this calculation, our revenues generated from the financing services are excluded, as receivables there are recorded as financing receivables. The turnover days of trade receivables increased from 2014 to 2015 due to the expansion of our advertising services. The turnover days of trade receivable decreased from 2015 to 2016 due to changes in our revenue mix, including revenues derived from automobile sales in 2016 and increased revenues from transaction platform business. The turnover days of trade receivable increased in the first half of 2017 because we significantly expanded our promotional services and started selling vehicle telematics systems to auto dealers in the second quarter of 2017, which led to a rapid increase of closing balance of trade receivables. We expect to be able to collect receivables from customers in these new services in the second half of 2017.

When we provide advertising services and sell vehicle telematics systems, we generally grant our customers credit terms up to three months. For our operating lease services, the customers have to make required payments in accordance with the contractual payment dates. The following table sets forth an analysis of our trade receivables by nature, net of provision for impairment as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000			
Advertising and other services	10,216	127,784	174,885	205,891
Sales of vehicle telematics systems	—	—	—	95,000
Operating lease services	—	—	5,260	8,022
Total trade receivables, net of provision for impairment	10,216	127,784	180,145	308,913

The following table sets forth an aging analysis of our trade receivables, net of provision for impairment as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	RMB'000			
Not past due	2,867	49,802	68,584	167,987
Past due:				
Up to 6 months	4,745	67,347	33,628	67,663
6 to 12 months	2,034	7,558	23,590	20,767
12 to 18 months	202	2,041	24,243	19,117
Over 18 months	368	1,036	30,100	33,379
Total	10,216	127,784	180,145	308,913

During the Track Record Period, our trade receivables generated from the sales of vehicle telematics systems and the provision of operating lease services have not become past due and no provision for impairment has been recorded. The past due trade receivables were mainly related to our transaction platform business, in which we provide advertising services to automakers, auto dealers, auto finance partners and insurance companies. Due to the lengthy payment approval process commonly implemented by customers in the auto and finance industry, it generally takes us long to collect these receivables. We evaluate the likelihood of collection based on each customer's situation and ability to pay in full. We have a client service team to follow up on the collection on a regular basis and make provisions when loss is probable. We assess specific evidences that indicate troubled collection, such as the accounts aging, financial conditions of the customer and industry trend. Particularly, any balance that is past due for more than 18 months is considered a prolonged period based on our experiences and understanding of the industry, as such balance for a prolonged period would likely be uncollectible. In such cases, we will make provisions against them unless there is convincing evidence indicating that the collection is probable, such as written agreements with customers to confirm settlement plan, or collections occurred subsequent to the balance sheet date.

We evaluated the recoverability of the trade receivable balances that were past due for more than 18 months as of June 30, 2017. Specifically, among our top ten debtors with balances that were past due for more than 18 months, eight of them are established insurance companies and auto finance companies, which accounted for approximately RMB11.3 million of the balances, and we believe that these customers are able to make payments. Also, for the remainder of RMB22.0 million of the balances that were past due for more than 18 months, we have obtained written confirmation from these debtors to make payments within the next six months. After considering the written confirmation, the customers' profiles, ongoing business relationship, and the settlement subsequent to June 30, 2017, we determined that such balances are not impaired. As of the Latest Practicable Date, we further collected a total of RMB13.2 million of trade receivables that were past due for more than 18 months as of June 30, 2017, which accounted for 39.5% of the balance as of June 30, 2017.

The portion of net trade receivables past due for more than six months as of December 31, 2016 was much larger than those as of December 31, 2015 and 2014 because we expanded our customer pool in the advertising business in 2015 and it took longer than we expected to collect trade receivables from certain customers. The RMB35.0 million increase in provision for impairment of trade receivables in 2016 was due to the fact that we ceased to cooperate with certain category of advertising customers that we considered to be of high credit risk and made provision for impairment in relation to all trade receivables associated with these customers. We have made another RMB13.0 million provision in the first half of 2017 as we evaluated probability of collection of our receivables based on our policy and recorded provision accordingly.

We have continued to strengthen our collection efforts as we develop our business. For our trade receivables as of June 30, 2017, we have subsequently collected a total of RMB86.2 million through the Latest Practicable Date, RMB19.1 million of which relates to balances that were past due for more than six months as of June 30, 2017.

Prepayments, deposits and other assets

The following table sets forth the breakdown of our prepayments, deposits and other assets included in non-current assets and current assets as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Included in non-current assets:				
Automobiles purchased for future leases	—	—	250,151	510,119
Prepayment for automobiles	—	—	191,360	379,299
Other prepayments and deposits	—	1,591	120,685	225,803
	—	1,591	562,196	1,115,221
Included in current assets:				
Other receivables due from related parties	38,377	54,802	332,806	46,532
Prepaid taxes	100	8,050	124,217	213,119
Prepayments	123	3,773	52,546	84,062
Advances to used car dealers	—	—	14,131	55,535
Operational advance to employees	—	173	35,987	47,491
Others	28	4,052	47,344	104,662
	38,628	70,850	607,031	551,401
Less: provision for impairment	—	—	(2,606)	(5,092)
	38,628	70,850	604,425	546,309
Total	38,628	72,441	1,166,621	1,661,530

Automobiles purchased for future leases and prepayment for automobiles comprises the largest components of our prepayments, deposits and other assets included in non-current assets. Both components are related to our self-operated financing business. We generally make prepayments to automakers and auto dealers to procure automobiles. These prepayments are recorded as prepayments for automobiles before we obtain titles and all necessary documents. After all documents are received, prepayments for automobiles will be reclassified as automobiles purchased for future leases, and then as finance receivables or property and equipment depending on whether these automobiles are used for financing lease or operating lease services. These two components increased significantly from nil and nil as of December 31, 2015 to RMB510.1 million and RMB379.3 million as of June 30, 2017, respectively, reflecting our initial ramp up expenditures and the rapid expansion of our self-operated financing business since 2016, especially after we launched the Kaizouba service line. We expect the prepayment for automobiles to continue to increase due to our continuous business expansion and expected demand for operating leases, especially during the second half of 2017.

Prepaid taxes primarily relate to value added taxes arising from our purchase of automobiles to be used in our self-operated financing business. The rapid growth of prepaid taxes as of June 30, 2017 compared to that as of December 31, 2015 was related to the increase in volume of automobiles we purchased since 2016.

We also provided various services and products to certain related parties, including Bitauto and a few companies under significant influence of our shareholders. Certain receivables from them are recorded as other receivables due from related parties, which also is included in this prepayments, deposits and other assets category. Please see the section "— Material Related Party Transactions" below for detailed information.

Trade payables

We record the amount we expect to pay for goods or services that have been acquired in the ordinary course of business from suppliers as trade payables on our balance sheet, mainly comprising of payables to purchase automobiles, vehicle telematics systems and commissions payable to auto dealers in relation to our financing lease services.

Our trade payables increased substantially during the Track Record Period as a result of the growth of our self-operated financing business. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Trade payables	2,049	97,452	508,385	469,650

We do not assess the turnover days of our trade payables. The turnover days for a period is calculated by dividing the average of the opening and closing balance of trade payables by the cost of revenues for the same period and multiplied by the number of days in that period, being 365 days for a full-year period. As the majority of the changes in our trade payables are not associated with our cost of revenues, we believe turnover days of our trade payables would not be a meaningful ratio.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Up to 3 months	1,171	93,660	446,185	419,939
3 to 6 moths	—	2,293	23,625	24,442
6 months to 1 year	102	7	37,077	22,360
Over 1 year	776	1,492	1,498	2,909
Total	2,049	97,452	508,385	469,650

Other payables and accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Loans payable to Bitauto Group	—	832,349	628,853	583,808
Other payables to related parties for goods and services	86,846	112,297	435,355	88,845
Deposits payables	—	18,683	72,007	180,143
Advance from customers	3,898	10,216	59,869	109,408
Interest payables	—	—	42,364	72,156
Staff costs and welfare accruals	1,361	6,228	54,621	43,547
Others	2,098	19,300	82,002	120,221
Total	94,203	999,073	1,375,071	1,198,128

Deposits payables are primarily deposits we received from customers in our financing lease services. Customers in some financing lease contracts are required to pay deposits to us on or before we deliver automobiles to them; we will then use the deposits to offset the last installment payment by customers or return the deposit to them after the contracts are fully performed. The amount as of June 30, 2017 was larger than that as of December 31, 2015 and 2016 due to the rapid expansion of our financing lease services.

Customers of our subscription services generally pay us upfront. These upfront payments are recognized on a straight-line basis over the whole subscription or listing period. The amount received upfront but not yet recognized as revenues are recorded as advance from customers on our consolidated balance sheet. In addition, we also receive payments from our customers sometimes in direct leases before agreements become effective. These payments are also recorded as advance from customers. The advance from customers increased significantly from RMB3.9 million as of December 31, 2014 to RMB10.2 million as of December 31, 2015, RMB59.9 million as of December 31, 2016 and further to RMB109.4 million as of June 30, 2017. The increase from 2014 year end to 2015 year end was due to the expansion of our subscription services and the commencement of our financing lease services in June 2015. The increase between December 31, 2015 to June 30, 2017 was because of the rapid expansion of our financing lease services.

We did not have interest payables as of December 31, 2014 and 2015, but had RMB42.4 million and RMB72.2 million in interest payables as of December 31, 2016 and June 30, 2017, respectively, on our consolidated balance sheets because we primarily relied on our own internal sources to fund the financing lease services in 2015, while we started to increase external funding in 2016 and therefore accrued more interest payables.

The staff costs and welfare accruals increased significantly during our Track Record Period, as our headcount increased significantly together with the expansion of our operations. Our total employees increased from 206 as of December 31, 2014 to 889 as of December 31, 2015, 3,464 as of December 31, 2016, and further to 4,633 as of June 30, 2017.

The others in other payables and accruals mainly comprised of our payables of VAT and other taxes and surcharges, advances from customers for our subscription services and other accrued expenses.

We had business with Bitauto and other shareholders, and had certain amount due to these related parties as of December 31, 2014, 2015, and 2016 and as of June 30, 2017. Bitauto Group also extended loans to us to finance our daily operations, and we had loans payable to Bitauto Group outstanding as of December 31, 2015 and 2016 and June 30, 2017. Please see "— Material Related Party Transactions" below for further details.

KEY FINANCIAL RATIOS

	As of December 31,			As of June 30,
	2014	2015	2016	2017
Current ratio (times)(1)	2.50	2.76	1.05	0.89
Gearing ratio (%)(2)	—	48%	121%	226%

Notes:

(1) Current ratio is our current assets divided by our current liabilities at the end of each financial period.

(2) Gearing ratio is net debt divided by total capital at the end of each financial period. Net debt equals our total borrowings plus loans payable to Bitauto Group, less our cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net debt.

Analysis of Key Financial Ratios

Current ratio

Our current ratio increased from 2.50 as of December 31, 2014 to 2.76 as of December 31, 2015, as we raised RMB2.4 billion through issuance of Preferred Shares in 2015 and used a large portion of the proceeds in our financing lease services. Our current ratio decreased from 2.76 as of December 31, 2015 to 1.05 as of December 31, 2016 and further to 0.89 as of June 30, 2017. We started to seek external borrowings to fund our financing lease services in 2016, a large portion of which is short-term. Given our financing leases generally have terms from one year to three years, the majority of our finance receivables are classified as non-current assets. As a result, our current ratio as of June 30, 2017 and December 31, 2016 was lower than that as of December 31, 2015.

Gearing ratio

Our gearing ratio increased from 48% as of December 31, 2015 to 121% as of December 31, 2016 mainly due to (i) the increase of total borrowings and loans from RMB0.8 billion as of December 31, 2015 to RMB11.9 billion as of December 31, 2016 as we started to incur borrowings in 2016 to finance the expansion of our financing lease and operating lease services, partially offset by the increase in cash, cash equivalents and restricted cash from RMB0.7 billion as of December 31, 2015 to RMB3.8 billion as of December 31, 2016; and (ii) the decrease of total equity from RMB130.4 million to negative equity of RMB1.4 billion as a result of our net loss of RMB1.4 billion for 2016 was mainly a result of the RMB1.4 billion of fair value loss in convertible redeemable preferred shares.

Our gearing ratio increased from 121% as of December 31, 2016 to 226% as of June 30, 2017 mainly due to (i) the increase of total borrowings and loans from RMB11.9 billion as of December 31, 2016 to RMB17.6 billion as of June 30, 2017 as we continued to incur borrowings in 2017 to finance the expansion of our financing lease and operating lease services, and (ii) the change from negative equity of RMB1.4 billion as of December 31, 2016 to negative equity of RMB7.6 billion as of June 30, 2017 as a result of our loss of RMB6.1 billion for the six months ended June 30, 2017, which in turn was largely attributable to a fair value loss of convertible redeemable preferred shares of RMB6.3 billion during the first half of 2017.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from our operations, issuance of ordinary shares and Preferred Shares, borrowings from banks and other financial institutions, securitization transactions and loans from Bitauto Group. As of the Latest Practicable Date, we had RMB5.2 billion of unutilized loan facilities from banks and other independent financial institutions. We have primarily used cash to fund our self-operated financing business and on capital expenditures for our business expansion. We had cash and cash equivalents of RMB191.5 million, RMB710.4 million, RMB660.9 million and RMB1,168.4 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. We had restricted cash of nil, nil, RMB3,177.6 million and RMB2,711.5 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. We generally deposit our excess cash in interest-bearing bank accounts and current accounts.

Cash flow

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

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

Net cash used in operating activities

We generate cash from our various services and products, primarily including service fees for our transaction facilitation and loan facilitation services, advertising and subscription fees, interest revenues from our financing leases and rental fees from operating leases.

For the six months ended June 30, 2017, net cash used in operating activities was RMB5,906.5 million, within which RMB5,822.3 million were used in operations and RMB84.2 million were income tax payments. The difference between our loss before income tax of RMB6,003.1 million and the net cash used in operations of RMB5,822.3 million was primarily due to (i) an increase of RMB5,349.9 million in finance receivables, (ii) an increase of RMB576.8 million in prepayments, deposits and other assets, and (iii) an increase of RMB467.3 million in automobiles for operating leases, partially offset by an adjustment of RMB6,300.5 million in fair value loss of convertible redeemable preferred shares. The significant increase in finance receivables was due to the continuous expansion of our financing lease services in 2017. The increase in automobiles for operating leases was due to the rapid growth of our operating lease business after we launched the Kaizouba service line in February 2017. The increase of prepayments, deposits and other assets was due to reasons set out above in "— Discussion of Certain Key Balance Sheet Items."

For the year ended December 31, 2016, net cash used in operating activities was RMB11,301.5 million, within which RMB11,251.4 million were used in operations and RMB50.1 million were income tax payments. The difference between our loss before income tax of RMB1,346.0 million and the net cash used in operations of RMB11,251.4 million was primarily due to (i) an increase of RMB11,531.4 million in finance receivables, and (ii) an increase of RMB914.9 million in prepayments, deposits and other assets, partially offset by (i) an adjustment of RMB1,428.1 million in fair value loss of convertible redeemable preferred shares, (ii) an increase of RMB469.1 million in other payables and accruals and (iii) an increase of RMB410.8 million in trade payables. The significant increase in finance receivables was due to the rapid expansion of our financing lease services in 2016. The increase in trade payables was due to the increase in our payables to purchase automobiles from auto dealers and automakers on behalf of the financing lease customers and the increase of our payables relating to vehicle telematics systems and auto insurances for the financing leases. The increase of prepayments, deposits and other assets and other payables and accruals was due to reasons set out above in "— Discussion of Certain Key Balance Sheet Items."

For the year ended December 31, 2015, net cash used in operating activities was RMB2,761.1 million, within which RMB2,755.6 million were used in operations and RMB5.5 million were income tax payments. The difference between our profit before income tax of RMB3.0 million and the net cash used in operations of RMB2,755.6 million was primarily due to (i) an increase of RMB2,861.5 million in finance receivables, (ii) an increase of RMB118.1 million in trade receivables, and (iii) an increase of RMB54.8 million in prepayments, deposits and other assets, partially offset by (i) an increase of RMB95.4 million in trade payables, (ii) an increase of RMB74.4 million in other payables and accruals and (iii) an adjustment of RMB53.5 million in fair value loss of convertible redeemable preferred shares. The increase in finance receivables was because we commenced our financing lease services in June 2015. The increase in trade receivables was because of the expansion of advertising business. The reasons behind the changes in prepayments, deposits and other assets as well as other payables and accruals are set out above in "— Discussion of Certain Key Balance Sheet Items."

For the year ended December 31, 2014, net cash used in operating activities was RMB1.1 million, primarily attributable to an increase in prepayments, deposits and other assets, partially offset by an increase in other payable and accruals.

Net cash generated/(used in) from investing activities

Our expenditures for investing activities were primarily for placements of restricted cash, investments in financial assets, purchase of intangible assets and purchase of property and equipment. We also generate cash through interest income and disposal of assets.

For the six months ended June 30, 2017, net cash generated from investing activities was RMB305.8 million, which was primarily attributable to RMB2,173.7 million received from maturity of restricted cash after relevant bank loans are repaid, partially offset by RMB1,777.4 million used in placement of restricted cash which was used or pledged as security for our bank loans.

For the year ended December 31, 2016, net cash used in investing activities was RMB3,244.3 million, which was primarily attributable to (i) RMB3,999.7 million used in placement of restricted cash which was used or pledged as security for our bank loans, (ii) RMB150.0 million used in investments in financial assets, partially offset by (i) RMB919.9 million received from maturity of restricted cash after the relevant bank loans are repaid, and (ii) RMB39.4 million acquired from the acquisition of a subsidiary.

For the year ended December 31, 2015, net cash used in investing activities was RMB22.9 million, which was primarily attributable to (i) RMB15.0 million used in investments in financial assets and (ii) RMB12.5 million used in purchase of property and equipment, partially offset by RMB5.3 million of interest received.

For the year ended December 31, 2014, net cash generated from investing activities was RMB0.3 million, which was primarily attributable to RMB0.8 million received from interest income, partially offset by RMB0.4 million used in purchase of property and equipment.

Net cash generated from financing activities

For the six months ended June 30, 2017, net cash generated from financing activities was RMB6.1 billion, which was primarily attributable to (i) RMB13.3 billion received from borrowings, and (ii) RMB1.1 billion received from the issuance of Preferred Shares, partially offset by (i) RMB7.5 billion used in repayment of borrowings, and (ii) RMB375.2 million used in interest payment.

For the year ended December 31, 2016, net cash generated from financing activities was RMB14.4 billion, which was primarily attributable to (i) RMB13.7 billion received from borrowings, and (ii) RMB3.7 billion received from the issuance of Preferred Shares, partially offset by (i) RMB2.4 billion used in repayment of borrowings, and (ii) RMB969.1 million used in repayment of loans from Bitauto Group.

For the year ended December 31, 2015, net cash generated from financing activities was RMB3.3 billion, which was primarily attributable to (i) RMB2.4 billion received from the issuance of Preferred Shares and (ii) RMB816.1 million received from our loans from Bitauto Group.

For the year ended December 31, 2014, net cash generated from financing activities was RMB184.5 million, which all came from capital contribution from Bitauto into our subsidiaries.

Working capital

We intend to continue to finance our working capital with cash generated from our operations, external borrowings, the net proceeds from the Global Offering, funds obtained from securitization transactions and other funds raised from capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our product and service offerings and trying to reach more customers.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income and our ability to secure external borrowings.

WORKING CAPITAL SUFFICIENCY STATEMENT

The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds and the estimated net proceeds from the Listing, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the expected date of this prospectus.

INDEBTEDNESS

Borrowings

Our total borrowings are comprised of bank loans as well as borrowings from other sources. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2014	2015	2016	2017	2017
					(Unaudited)
			(in thousands of RMB)		
Non-current					
Pledge borrowings	—	—	150,000	100,000	75,000
Asset-backed securitization debt	—	—	1,630,663	1,983,411	3,021,550
Other secured borrowings	—	—	1,432,971	2,418,218	2,814,244
Unsecured borrowings	—	—	—	57,320	134,832
Total	—	—	3,213,634	4,558,949	6,045,626
Current					
Pledge borrowings	—	—	2,736,400	2,341,237	1,791,612
Borrowings guaranteed by Bitauto	—	—	1,770,401	1,696,689	718,736
Asset-backed securitization debt	—	—	2,799,958	4,974,032	6,592,893
Other secured borrowings	—	—	799,034	3,101,314	6,587,066
Unsecured borrowings	—	—	—	328,680	505,015
Total	—	—	8,105,793	12,441,952	16,195,322
Carrying amount repayable of long-term borrowings:					
Within 1 year	—	—	8,105,793	12,441,952	16,195,322
Between 1 and 2 years	—	—	2,787,424	3,962,082	5,064,219
Between 2 and 5 years	—	—	426,210	596,867	981,407
Total	—	—	11,319,427	17,000,901	22,240,948

Pledge borrowings represent bank loans, where we normally use our bank deposits or our finance receivables as security. Asset-backed securitization debt represents our liabilities related to the ABSs we originated, which are collateralized by our finance receivables as underlying assets. Other secured borrowings are from financial institutions other than banks, where we also use our finance receivables or automobiles as security. Our borrowings in the Track Record Period were used to finance our self-operated financing business.

The interest rates vary among our borrowings from different channels. As of June 30, 2017, the applicable interest rates per annum on bank loans and borrowings from independent financial institutions were primarily from 3.9% to 7.3%, except for two borrowings with the total balance of RMB395.0 million that have the interest rate per annum of 11.2%, accounting for 2.3% of our total borrowings. As of June 30, 2017, the interest rates of our publicly offered ABSs range from 3.8% to 6.8%. As of the same date, the interest rates of the ABSs offered through private placements primarily ranged from 4.3% to 6.2%, except for an aggregate of RMB505.2 million carrying amount with interest rates ranging from 7.5% to 10.0%, accounting for 3.0% of our total borrowings.

Substantially all of our borrowings during the Track Record Period were secured or guaranteed. Certain of our borrowings are guaranteed by Bitauto Group, and a borrowing amounting to RMB100.0 million is jointly guaranteed by Mr. Andy Xuan Zhang, our executive Director as of June 30, 2017. We plan to either repay such borrowings or replace Bitauto Group and Mr. Zhang with an entity in our Group as guarantor of such borrowings prior to the completion of the Global Offering.

We actively seek external funding to finance the expansion of our self-operated financing business, particularly financing lease services, because we generally can charge our customers in the financing lease services with interests rates higher than our funding costs.

Loans from Bitauto Group

We also received loans from Bitauto, one of our Controlling Shareholders, and its subsidiaries and consolidated affiliated entities to finance our general working capital and business needs. As of December 31, 2014, 2015, and 2016, June 30, 2017 and September 30, 2017, the loans from Bitauto Group were nil, RMB832.3 million, RMB628.9 million, RMB583.8 million and RMB584.1 million, respectively. All loans from Bitauto Group are unsecured and payable on demand, with the applicable interest rate per annum ranging from nil, 1.50% to 4.36% and 1.00% to 4.36% for the years ended December 31, 2014, 2015 and 2016, respectively. We will repay all outstanding loans to Bitauto Group prior to the completion of Global Offering.

Preferred Shares

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the Preferred Shares had fair values of nil, RMB2.6 billion, RMB8.1 billion and RMB17.5 billion, respectively. For further information regarding the Preferred Shares, see Note 27 to the Accountant's Report in Appendix I to this prospectus. Since June 30, 2017 and up to September 30, 2017, we had not issued or repurchased any Preferred Shares.

CONTINGENT LIABILITIES

As of June 30, 2017, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since June 30, 2017.

Except as aforesaid and apart from intra-group liabilities, as of June 30, 2017, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits (other than normal trade-related bills), debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES AND INVESTMENT

The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Property and equipment	335	10,938	21,161	11,541
Intangible assets	8	690	31,647	14,777
Investments in financial assets at fair value through profit or loss	—	15,000	150,000	—
Investments in associates in the form of ordinary shares	100	—	—	5,933
Total	443	26,628	202,808	32,251

Our historical capital expenditures primarily included investments in private companies, expenditures on automobiles for operating lease, purchase of office equipment and expenditures on trademarks, licenses and domain names that are important to our business. We had funded our capital expenditure requirements during the Track Record Period mainly with capital contributions from shareholders, issuance of Preferred Shares in private placement transactions and through securitization transactions.

Among our total capital expenditures, certain funds were used for investments in private companies, with a carrying amount of RMB162.8 million as of June 30, 2017. We carefully select investment opportunities that we consider complementary to our business, and we have a stringent internal policy that sets out in detail the process to implement an investment and its post investment management. The below table lists details of our investments in private companies as of June 30, 2017. Going forward, we plan to continue making investments and acquisitions that are complementary to our business across the automobile value chain, including businesses that (i) increase our consumer base; (ii) expand our auto dealer cooperative network and strengthen relationships with our business partners; (iii) provide services that may create synergy to our existing business operations; (iv) possess advanced data analytics and technological capabilities; or (v) hold licenses or permits in particular sectors that might be of interest and synergetic to us.

Investee companies	Carrying amounts of investment (in thousands of RMB)	Types of securities held by us in the investee companies	Background
Shanghai Eclicks Network Co., Ltd.	156,829	ordinary shares with preferential rights	Automobile-related app developer
Beijing Meibang Insurance Brokerage Co., Ltd.	5,933	ordinary shares	Insurance brokerage

Our capital expenditure is expected to be between RMB150.0 million to RMB170.0 million for the year ended December 31, 2017, and between RMB145.0 million to RMB170.0 million for the year ended December 31, 2018. We plan to fund our planned capital expenditure using cash flows generated from our operating activities and the net proceeds received from the Global Offering.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Capital commitments contracted for at the end of the year/period but not yet incurred is as follows:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Automobiles for future leases	—	—	499,822	335,073

Operating Lease Commitments

During the Track Record Period, we leased all of our offices under operating lease agreements. A majority of these lease agreements are renewable at the end of the lease at market rates. The following table sets forth our operating lease commitments by lease term as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
No later than 1 year	696	10,073	18,040	18,195
Later than 1 year and no later than 5 years	—	36,162	39,274	39,186
Later than 5 years	—	3,682	—	2,606
	696	49,917	57,314	59,987

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, the Group does not have any material off-balance sheet commitments or arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Historically we entered into transactions with our related parties from time to time. There are mainly two groups of related parties that we had transacted with during the Track Record Period; one group is Bitauto and Bitauto HK, our Controlling Shareholders, and their subsidiaries or entities under their significant influence, and the other group is Beijing Jingdong Century Information Technology Co., Ltd. and Beijing Zhengdong Jinkong Information Service Co., Ltd., each a subsidiary of a shareholder that has significant influence on us. We refer to the first group of related parties as Bitauto Related Parties for short here.

Transactions with Related Parties

We transacted with Bitauto Related Parties in several different fashions during the Track Record Period. We provided transaction services and financing services to them, and we purchased advertising services, traffic support services, used automobile transactions services, automobiles from these entities. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we recognized revenues of RMB1.6 million, RMB119.5 million, RMB131.7 million, RMB31.9 million and RMB69.6 million, respectively, from our provision of various services to Bitauto Related Parties; and purchased various services and products of nil, RMB73.4 million, RMB178.0 million, RMB110.0 million and RMB37.0 million, respectively, from Bitauto Related Parties. In addition, Bitauto also provided guaranteed for loans of RMB1,696.7 million which we borrowed from external sources as of June 30, 2017.

Historically, certain services were provided by affiliates of our shareholders free of charge. Going forward, we will be charged fees by our shareholders for these services after the Listing. See "Connected Transactions."

Amounts due from Related Parties

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the amount due from Bitauto Related Parties was RMB39.3 million, RMB1,654.0 million, RMB713.5 million and RMB298.3 million, respectively.

Amount due to Related Parties

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the amount due to Bitauto Related Parties was RMB86.8 million, RMB188.0 million, RMB474.0 million and RMB93.7 million, respectively.

Other balances with Related Parties

In addition, the amount of prepayments made to Bitauto Related Parties and Beijing Jingdong Century Information Technology Co., Ltd. was RMB28.9 million and RMB3.8 million respectively as of December 31, 2016, and RMB178.6 million and RMB3.1 million, respectively, as of June 30, 2017.

We also had advance of RMB0.5 million from Bitauto Related Parties as of December 31, 2015.

Loans from Bitauto Group

As of December 31, 2014, 2015, and 2016 and June 30, 2017, the loans from Bitauto Group were nil, RMB832.3 million, RMB628.9 million and RMB583.8 million, respectively. For more details on loans from Bitauto Group, see "– Indebtedness – Loans from Bitauto Group."

For more details about our related party transactions, see Note 35 to the Accountant's Report included in Appendix I and the section titled "Connected Transactions" for more details of our historical transactions with related parties and the types of connected transaction we plan to continue after this Global Offering.

Our Directors confirm that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our result of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk, which are set forth in detail in Notes 3 to the Accountant's Report in Appendix I to this prospectus. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

DIVIDEND

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our Consolidated Affiliated Entity, which are incorporated in the PRC. Our Consolidated Affiliated Entity must comply with its constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our subsidiaries and our Consolidated Affiliated Entity must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Our Cayman holding company Yixin Group Limited had a negative equity of RMB7.6 billion as of June 30, 2017 on its consolidated balance sheet. As advised by the Company's legal advisers on Cayman Islands Law, Maples and Calder (Hong Kong) LLP, the existence of negative equity, however, does not necessarily restrict us from declaring and paying dividends to our Shareholders, as under Cayman Islands law our Company may pay a dividend out of either our profit or our share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

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

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

DISTRIBUTABLE RESERVES

As of June 30, 2017, we did not have any distributable reserves.

LISTING EXPENSES

The Group expects to incur listing expenses of approximately RMB223.9 million (assuming an Offer Price of HK$7.15, being the mid-point of the indicative Offer Price range between HK$6.60 and HK$7.70, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB32.1 million (including RMB5.6 million recognized for the six months ended June 30, 2017) is expected to be charged to our consolidated income statement for the year ending December 31, 2017 and RMB191.8 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2017 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2017 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of June 30, 2017 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2017:

	Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as of June 30, 2017 (Note 1)	Estimated Net Proceeds from the Global Offering (Note 2)	Estimated Impact to the Net Assets upon the Conversion of the Preferred Shares (Note 3)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of the Company	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$6.60 per Share	(10,107,375)	4,736,675	17,516,756	12,146,056	1.94	2.27
Based on an Offer Price of HK$7.70 per Share	(10,107,375)	5,531,226	17,516,756	12,940,607	2.06	2.42

Notes:

(1) The audited consolidated net tangible liabilities attributable to the owners of the Company as of June 30, 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of June 30, 2017 of RMB7,631,811,000 with an adjustment for the intangible assets as of June 30, 2017 of RMB2,475,564,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$6.60 and HK$7.70 per Share after deduction of the underwriting commissions, incentive fees and other related expenses payable by the Company.

(3) On the Listing Date, all of the Preferred Shares will be automatically converted into Shares pursuant to the respective share subscription agreements. Prior to the conversion, the Preferred Shares were accounted for as a liability to the Company. Accordingly, for the purpose of the unaudited pro forma adjusted consolidated net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets attributable to Owners of the Company will be increased by RMB17,516,756,000, being the carrying amounts of the Preferred Shares as of June 30, 2017.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,276,322,474 Shares were in issue immediately upon completion of the Global Offering (including the options granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017, the completion of the conversion of the Preferred Shares into Shares and the Capitalization Issue to be effected upon Listing), which is assumed to be on June 30, 2017 for the purpose of this unaudited pro forma financial information, and assuming the options granted under the Pre-IPO Share Option Scheme that remained unexercised immediately following the completion of the Global Offering are not exercised, no Shares are granted under the First Share Award Scheme and the Over-allotment Option is not exercised.

Apart from the options in respect of 15,957,262 Shares (adjusted to 111,700,834 Shares as a result of the Capitalization Issue) granted under the Pre-IPO Share Option Scheme exercised on October 12, 2017 mentioned above, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by us subsequent to June 30, 2017.

For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK$1.1738. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.