

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

**Form F-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
**THE SECURITIES ACT OF 1933**

**Cango Inc.**

(Exact name of Registrant as specified in its charter)

Cayman Islands  
(State or Other Jurisdiction of  
Incorporation or Organization)

6199  
(Primary Standard Industrial  
Classification Code Number)

Not Applicable  
(I.R.S. Employer  
Identification Number)

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**Approximate date of commencement of proposed sale to the public:**  
**As soon as practicable after the effective date of this registration statement.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered(1)	Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee
Ordinary shares, par value US\$0.0001 per share	US\$	US\$

- (1) American depository shares, or ADSs, issuable upon deposit of the ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333- ). Each ADS represents ordinary shares.
- (2) Includes (a) ordinary shares represented by ADSs that may be purchased by the underwriters pursuant to their over-allotment option and (b) all ordinary shares represented by ADSs initially offered and sold outside the United States that may be resold from time to time in the United States either as part of the distribution or within 40 days after the later of the effective date of this registration statement and the date the securities are first bona fide offered to the public.
- (3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the United States Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated \_\_\_\_\_, 2018.

## American Depositary Shares



## Cango Inc.

Representing \_\_\_\_\_ Ordinary Shares

This is an initial public offering of shares of American depositary shares, or ADSs, representing ordinary shares of Cango Inc.

We are offering \_\_\_\_\_ ADSs to be sold in this offering. Each ADS represents \_\_\_\_\_ ordinary shares, US\$0.0001 par value per share. We anticipate the initial public offering price per ADS will be between US\$ \_\_\_\_\_ and US\$ \_\_\_\_\_.

Prior to this offering, there has been no public market for the ADSs or our shares. We will apply to list the ADSs on the [NYSE]/[NASDAQ], under the symbol "\_\_\_\_\_."

We are an "emerging growth company" under applicable United States federal securities laws and are eligible for reduced public company reporting requirements.

See "[Risk Factors](#)" on page 15 to read about factors you should consider before buying the ADSs.

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Initial public offering price	US\$ _____	US\$ _____
Underwriting discounts and commissions <sup>(1)</sup>	US\$ _____	US\$ _____
Proceeds, before expenses, to us	US\$ _____	US\$ _____

(1) For additional information on underwriting compensation, see "Underwriting."

To the extent that the underwriters sell more than \_\_\_\_\_ ADSs in this offering, the underwriters have a 30-day option to purchase up to an aggregate of \_\_\_\_\_ additional ADSs from us at the initial public offering price less the underwriting discounts and commissions.

The underwriters expect to deliver the ADSs against payment in New York, New York on \_\_\_\_\_, 2018.

**Morgan Stanley**

**BofA Merrill Lynch**

**Goldman Sachs (Asia) L.L.C.**

Prospectus dated \_\_\_\_\_, 2018

[Insert inside front cover artwork]

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No dealer, salesperson or other person is authorized to give any information or to represent as to anything not contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell, and we are seeking offers to buy, only the ADSs offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or any sale of the ADSs.

Neither we nor the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where other action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus or any free writing prospectus filed with the United States Securities and Exchange Commission, or SEC, must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any filed free writing prospectus outside of the United States.

Until \_\_\_\_\_, 2018 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our ADSs. You should carefully read the entire prospectus, including “Risk Factors” and the financial statements, before making an investment decision. This prospectus contains information from an industry report commissioned by us and prepared by Oliver Wyman Consulting (Shanghai) Ltd, or Oliver Wyman, an independent research firm, to provide information regarding our industry and our market position in China. We refer to this report as the Oliver Wyman Report.*

### **Our Mission**

Transform automotive and mobility markets with data and technology.

### **Overview**

We are a leading automotive transaction service platform in China connecting dealers, financial institutions, car buyers and other industry participants. According to the Oliver Wyman Report, we cover the largest number of new car dealers in China, and the outstanding balance of financing transactions we facilitated was the largest among automotive transaction service platforms in China as of September 30, 2017. As of September 30, 2017, our platform connected 30,509 registered dealers, five third-party financial institutions, 501,796 car buyers and 22 other industry participants including OEMs and online advertising platforms. Our platform model puts us in a unique position to add value for our platform participants and business partners as the mobility market in China continues to grow and evolve.

We have extensive, technology-enabled service offerings along the automotive value chain, which enable us to attract more participants to our platform and enhance engagement of existing participants. Our services primarily consist of: (1) automotive financing facilitation, (2) automotive transaction facilitation and (3) after-market service facilitation. We generate substantially all of our revenue from service fees for providing automotive financing facilitation, and to a lesser degree from service fees and other income from providing automotive transaction facilitation and after-market service facilitation. The diagram below illustrates the various services that our platform provides to the platform participants.



We provide automotive financing facilitation services primarily by connecting financial institutions and car buyers, leveraging our vast dealer network. For financial institutions, we offer integrated solutions that support the full life cycle of automotive financing transactions, including credit origination, credit assessment, credit servicing and delinquent asset management services. We have established in-depth collaboration with a number of third-party financial institutions, and we do not bear credit risk under our arrangement with one of such financial institutions. For car buyers, we offer automotive financing solutions, with funding either from third-party financial institutions or Shanghai Autohome, a provider of financing leases and our equity investee, and make car buyers' purchases more affordable and accessible. We also provide car buyers with value-added services, such as assistance with administrative procedures associated with car purchasing and financing. We facilitated the financing of 299,560 new and used car purchases with a total amount of financing transactions of RMB18.3 billion (US\$2.7 billion) in the nine months ended September 30, 2017, representing a year-on-year growth of 242.9% from RMB5.3 billion in the nine months ended September 30, 2016.

We provide automotive transaction facilitation services primarily to dealers and car buyers. We operate a digital automobile trading platform, which enables our registered dealers to access additional car sourcing channels while enjoying our value-added services including logistics and warehousing support, and we collaborate with online automotive advertising platforms to help prospective car buyers find suitable cars in our dealer network while providing them with our financing solutions.

We also provide after-market service facilitation services to car buyers, which currently mainly involve facilitating the sale of insurance policies. We continue to explore opportunities to facilitate other after-market services on our platform, including additional types of insurance, extended warranties, car customization, maintenance and repair, and personal wealth management products.

Our strong dealership network is a critical component of our service platform. This network places us at the center of automotive transaction value chain and enables us to closely connect with car buyers and financial

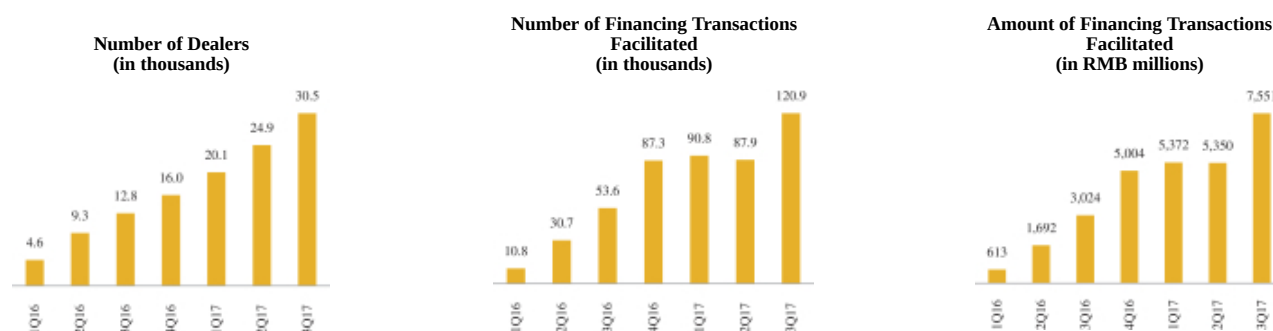
institutions. Through the dealer network, we offer automotive financing facilitation services to car buyers across China, and we have built a sizeable and diversified portfolio of automotive financing transactions for financial institutions. As of September 30, 2017, we worked closely with 30,509 registered dealers on our platform, covering 354 cities and all province-level administrative regions in the PRC except for Tibet. In every quarter from the beginning of 2016 to the three months ended September 30, 2017, approximately half of our registered dealers were active, in that each sold at least one car funded by a financing transaction we facilitated. We enhance our registered dealers' competitiveness by improving potential car buyer conversion, increasing sales volume and attracting even more car buyers, and we in turn connect to and serve more participants on our platform because of the network effect.

We use technology to connect our platform participants, bring them a premium user experience, and improve our own operation efficiency. For example, we integrate our operating systems with those of our platform participants, such as dealers and financial institutions, to ensure smooth and real time data exchange. Our digitalized credit application process, embedded with advanced credit assessment technology, allows us to help financial institutions achieve an average credit approval time of less than two hours, improving the experience of car buyers in these transactions. Benefiting from our technology-driven sales management system, we continue to optimize our operational efficiency. The average cost per financing transaction decreased from RMB1,338.4 in 2016 to RMB1,129.5 in the nine months ended September 30, 2017.

We have accumulated or accessed a massive amount of car buyer data through various sources including the car buyers themselves, third parties with car buyers' consent, as well as telematics devices during the credit servicing period with car buyers' consent. Our customized cloud-based infrastructure allows us to scale up data processing and storage capacity to meet significant growth. We have developed comprehensive insight and knowledge of our car buyers through data analytics, which will allow us to design and provide other forms of credit solutions and tailor-made financial products to fulfill their evolving demand for financial services in the future. The comprehensive data insight built upon our leading technology provides a competitive edge in potential value-added service offerings such as precision marketing, inventory management, client relationship management and credit portfolio management.

As we continue to grow our platform, broaden service spectrum and accumulate data insights, we are exploring opportunities to cooperate with our strategic investors, such as Tencent, Taikang Life Insurance and Didi Chuxing, to enhance our full-process technology-driven automotive transaction services.

Our business has witnessed significant growth as illustrated by the charts below:



In the nine months ended September 30, 2017, we had revenue of RMB740.9 million (US\$111.4 million) and net income of RMB319.2 million (US\$48.0 million). In 2016, we had revenue of RMB434.3 million (US\$65.3 million) and net income of RMB133.5 million (US\$20.1 million).

### **Our Strengths**

We believe the following strengths contribute to our success and reinforce our market-leading position.

- leadership in a fast-growing underserved market;
- self-reinforcing platform empowered by technology and data;
- end-to-end service model with financial institutions;
- largest and powerful dealer network; and
- visionary and experienced management team.

### **Our Strategies**

We seek to continue to transform automotive and mobility markets with data and technology. We plan to pursue the following strategies to achieve our goal:

- engage more platform participants;
- roll out more services along the automotive transaction value chain;
- provide consumers with more products throughout their lifetime;
- continue investment in data and technology; and
- deepen partnership with our strategic shareholders.

### **Our Challenges**

Our business and successful execution of our strategies are subject to certain challenges, risks and uncertainties including:

- our limited operating history in an emerging and fast growing market;
- our ability to expand, maintain and effectively manage relationships with our network of dealers;
- our ability to attract prospective car buyers;
- our reliance on a limited number of financial institutions to fund the financing transactions we facilitate;
- our reliance on our credit assessment model and credit assessment team in evaluating credit applications;
- our ability to maintain low overdue rates for financing transactions we facilitate;
- effectiveness of our collection and repossession efforts; and
- further changes and interpretation of the laws and regulations governing the automotive finance industry in the PRC.

In addition, we face risks and uncertainties related to our corporate structure and regulatory environment in China, including:

- uncertainties associated with the interpretation and application of laws and regulations governing the automotive finance industry in the PRC;

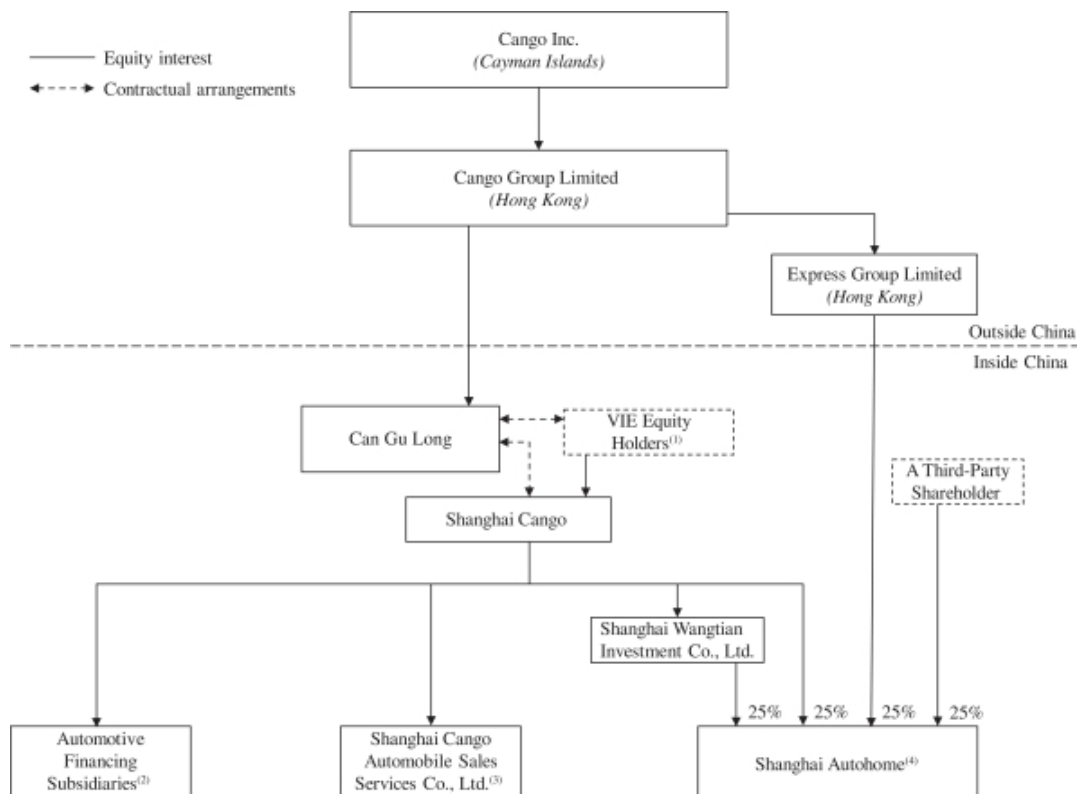
- risks associated with our control over our consolidated variable interest entity, or VIE, in China, which is based on contractual arrangements rather than equity ownership; and
- changes in the political and economic policies of the PRC government.

We also face other risks and uncertainties that may materially affect our business, financial conditions, results of operations and prospects. You should consider the risks discussed in “Risk Factors” and elsewhere in this prospectus before investing in our ADSs.

### Our History and Corporate Structure

We began operations in August 2010 through Shanghai Cango, which was founded under the laws of the PRC. To facilitate our initial public offering in the United States, we incorporated Cango Inc. in October 2017. Through a series of transactions, Cango Inc. then became our ultimate holding company.

The following diagram illustrates our corporate structure after giving effect to the Acquisition, which we expect to consummate prior to the completion of this offering. It omits certain entities that are immaterial to our results of operations, business and financial condition. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%. The relationships between each of Can Gu Long, Shanghai Cango and its shareholders as illustrated in this diagram are governed by contractual arrangements and do not constitute equity ownership.



- (1) Shanghai Wangjin Investment Management Co., Ltd. (controlled by Mr. Xiaojun Zhang), Mr. Jiayuan Lin, Warburg Pincus Financial Global Ltd., Tencent Mobility Limited, Shanghai Xiehuai Investment Management L.P. (of which Mr. Jiayuan Lin is the general partner), the Taikang Onshore Entities (including Taikang Life Insurance Co., Ltd. and Shandong Guokong Taikang Industrial Development Fund I L.P.) and Shanghai Huaiyuan Investment Management L.P. (of which Shouyan Xu is the general partner) respectively hold 15.6%, 15.8%, 21.1%, 12.5%, 8.4%, 6.3% and 5.2% of equity interests in Shanghai Cango. The remaining equity interests in Shanghai Cango are held by nine other shareholders. Each shareholder of Shanghai Cango is either an affiliate of or identical to a shareholder of Cango Inc. For information as to the principal shareholders of Cango Inc., see “Principal Shareholders.”
- (2) Includes 26 subsidiaries that are majority owned by Shanghai Cango. These subsidiaries are located in various cities across China and are primarily involved in providing automotive financing facilitation services to financial institutions and car buyers.
- (3) Primarily involved in the operation of our automobile trading platform “91HaoChe”.
- (4) Primarily involved in providing financing leases to car buyers. We currently own 50% equity interest in Shanghai Autohome. In September 2017, we entered into agreements in connection with the Acquisition, which we expect to consummate prior to the completion of this offering. Upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary.

### **Our Corporate Information**

Our principal executive offices are located at 10A, Building 3, Youyou Century Plaza, 428 South Yanggao Road, Pudong New Area, Shanghai 200127, People’s Republic of China. Our telephone number at this address is +86-21-3183-0016. Our registered office in the Cayman Islands is located at the offices of Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. Our telephone number at this address is +1 (345) 745 5100. Investors should submit any inquiries to the address and telephone number of our principal executive offices set forth above.

Our main website is [www.cangoonline.com](http://www.cangoonline.com), and the information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Service Inc., located at 801 2nd Avenue, Suite 403, New York, NY 10017.

### **Implications of Being an Emerging Growth Company**

As a company with less than US\$1.07 billion in revenue for the last fiscal year, we qualify as an “emerging growth company” pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We will take advantage of the extended transition period. As a result of this election, our financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.07 billion; (b) the last day of our fiscal year

following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

### **Conventions That Apply to This Prospectus**

Unless we indicate otherwise, references in this prospectus to:

- the “Acquisition” are to our pending acquisition of an additional 25% of equity interest in Shanghai Autohome, which we expect to consummate prior to the completion of this offering; upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary;
- “active dealers” are to dealers which have sold at least one car which is funded by a financing transaction we facilitate in the specified period;
- “ADSs” are to our American depositary shares, each of which represents ordinary shares, and “ADRs” are to the American depositary receipts that evidence our ADSs;
- “average cost per financing transaction” are to the sum of cost of revenue, sales and marketing expenses and general and administrative expenses for a specified period divided by the total number of financing transactions we facilitate during such period;
- “CAGR” are to compound annual growth rate;
- “Can Gu Long Shanghai” are to Can Gu Long (Shanghai) Information Technology Consultation Service Co., Ltd., a company established under the law of the PRC and our wholly-owned subsidiary;
- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purposes of this prospectus only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- “dealers” are to points of sale that are licensed to engage in retail automobile transactions;
- “exposure at risk” are to the amount of outstanding principal and accrued but unpaid interest of specified financing transactions as of a specified date;
- “financial institutions” are to (i) banks and (ii) financing lease companies licensed by the Ministry of Commerce of the PRC;
- “financing transactions” are to loans and financing leases; financing transactions we facilitate include financing transactions funded by financial institutions and financing transactions funded by Shanghai Autohome; the “amount of financing transactions” refer to the principal amount of financing transactions we facilitated in a specified period;
- “lower-tier cities” are to cities in China that are not tier-one and tier-two cities;
- “M1+ overdue ratio” are to (i) exposure at risk relating to financing transactions for which any installment payment is 30 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal and accrued but unpaid interest that are 180 calendar days or more past due;

- “M3+ overdue ratio” are to (i) exposure at risk relating to financing transactions for which any installment payment is 90 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal and accrued but unpaid interest that are 180 calendar days or more past due;
- “new car dealers” are to dealers that sell new cars to car buyers, including dealers that sell both new cars and used cars;
- “OEMs” are to automotive original equipment manufacturer;
- “registered dealers” are to dealers who are registered with our platform;
- “RMB” or “Renminbi” are to the legal currency of China;
- “SaaS” are to software as a service;
- “Shanghai Autohome” are to Shanghai Autohome Financing Lease Co., Ltd., a company organized under the law of the PRC and our equity investee prior to the completion of the Acquisition;
- “Shanghai Cango” are to Shanghai Cango Investment and Management Consultation Service Co., Ltd., a company established under the law of the PRC and our consolidated VIE;
- “shares” are to our outstanding ordinary shares and/or convertible preferred shares;
- “tier-one and tier-two cities” refer to (i) tier-one cities in China, namely Beijing, Shanghai, Guangzhou and Shenzhen and (ii) tier-two cities in China, namely (a) Tianjin and Chongqing, (b) the provincial capital cities except for Guangzhou, Yinchuan, Xining and Lhasa and (c) several prefecture-level cities, namely, Qingdao, Foshan, Dalian, Ningbo, Suzhou, Wuxi, Xiamen, Dongguan and Wenzhou;
- “US\$,” “U.S. dollars,” or “dollars” are to the legal currency of the United States; and
- “we,” “us,” “our company” and “our” are to Cango Inc., its consolidated VIE, their respective subsidiaries and/or Shanghai Autohome, as the context requires.

Unless specifically indicated otherwise or unless the context otherwise requires, all references to our ordinary shares exclude (i) ordinary shares issuable upon the exercise of outstanding options with respect to our ordinary shares under our equity incentive plan and (ii) assumes that the underwriters will not exercise their over-allotment option to purchase additional ADSs.

The translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.6533 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on September 29, 2017. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On March 16, 2018, the noon buying rate for Renminbi was RMB6.3300 to US\$1.00.

**THE OFFERING**

Price per ADS	We currently estimate that the initial public offering price will be between US\$ and US\$ per ADS.
ADSs Offered by Us	ADSs
ADSs Outstanding Immediately After This Offering	ADSs (or ADSs if the underwriters exercise in full the over-allotment option).
Ordinary Shares Outstanding Immediately After This Offering	ordinary shares (or ordinary shares if the underwriters exercise in full the over-allotment option), excluding ordinary shares issuable upon the exercise of options outstanding under our equity incentive plan as of the date of this prospectus.
The ADSs	<p>Each ADS represents ordinary shares.</p> <p>The depositary will be the holder of the ordinary shares underlying the ADSs and you will have the rights of an ADR holder as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time.</p> <p>You may surrender your ADSs to the depositary to withdraw the ordinary shares underlying your ADSs. The depositary will charge you a fee for such an exchange.</p> <p>We may amend or terminate the deposit agreement for any reason without your consent. Any amendment that imposes or increases fees or charges or which materially prejudices any substantial existing right you have as an ADS holder will not become effective as to outstanding ADSs until 30 days after notice of the amendment is given to ADS holders. If an amendment becomes effective, you will be bound by the deposit agreement as amended if you continue to hold your ADSs.</p> <p>To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled “Description of American Depositary Shares.” We also encourage you to read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.</p>
Over-Allotment Option	We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs at the initial public offering price, less underwriting discounts and commissions, solely for the purpose of covering over-allotments.
Use of Proceeds	We estimate that we will receive net proceeds of approximately US\$ million from this offering, assuming an initial public

offering price of US\$                    per ADS, the mid-point of the estimated range of the initial public offering price, after deducting estimated underwriter discounts, commissions and estimated offering expenses payable by us. We anticipate using the net proceeds of this offering for:

- for investment in research and development capabilities, and data and technology;
- for expansion our sales and marketing efforts;
- for capital injection into Shanghai Autohome to increase the amount of financing leases it is able to fund; and
- for general corporate purposes, including working capital needs and potential acquisitions (although we are not currently negotiating any such acquisitions).

See “Use of Proceeds” for more information.

Lock-up

[We, our officers and directors and our existing shareholders] have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus, subject to certain exceptions. See “Shares Eligible for Future Sale” and “Underwriting.”

Risk Factors

See “Risk Factors” and other information included in this prospectus for a discussion of the risks relating to investing in our ADSs. You should carefully consider these risks before deciding to invest in our ADSs.

[Directed ADS Program]

[At our request, the underwriters have reserved up to                    % of the ADSs being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by                    , an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs available to the general public. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs. Certain participants may be subject to the lock-up agreements as described in “Underwriting— [Directed ADS Program]” elsewhere in this prospectus.]

Listing

We have applied to list our ADSs on the [NYSE/NASDAQ]. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system.

Proposed [NYSE/NASDAQ] Trading Symbol



## SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of comprehensive income for the year ended December 31, 2016 and summary consolidated balance sheet as of December 31, 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated statements of comprehensive income for the nine months ended September 30, 2016 and 2017 and summary consolidated balance sheet data as of September 30, 2017 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements. Our historical results are not necessarily indicative of results to be expected for any future period. The following summary consolidated financial data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” both of which are included elsewhere in this prospectus.

### Summary Consolidated Statements of Comprehensive Income Data

	Year Ended December 31, 2016		Nine Months Ended September 30,		
	RMB	US\$	2016 (unaudited)	2017 (unaudited)	
			RMB	RMB	US\$
	(in thousands, except for share and per share data)				
<b>Revenues</b>	434,280	65,273	205,320	740,876	111,355
<b>Operating cost and expenses:</b>					
Cost of revenue	170,044	25,558	98,851	202,565	30,446
Sales and marketing	39,537	5,942	23,279	92,324	13,876
General and administrative	34,550	5,193	22,747	43,450	6,531
Research and development	5,000	752	2,196	9,182	1,380
Net loss/(gain) on risk assurance liabilities	744	112	510	(37,641)	(5,657)
<b>Total operating cost and expenses</b>	<b>249,875</b>	<b>37,557</b>	<b>147,584</b>	<b>309,881</b>	<b>46,575</b>
<b>Income from operations</b>	<b>184,405</b>	<b>27,716</b>	<b>57,737</b>	<b>430,996</b>	<b>64,779</b>
Interest income	4,099	616	2,867	6,841	1,028
Income/(loss) from equity method investments	(9,988)	(1,501)	(7,821)	4,155	625
Interest expense	(450)	(68)	(203)	(10,013)	(1,505)
Foreign exchange loss, net	—	—	—	(24,345)	(3,659)
Other income	8,661	1,302	8,286	18,918	2,843
Other expenses	(232)	(35)	(169)	(283)	(42)
<b>Net income before income taxes</b>	<b>186,495</b>	<b>28,031</b>	<b>60,696</b>	<b>426,268</b>	<b>64,069</b>
Income tax expenses	53,014	7,968	20,136	107,031	16,087
<b>Net income</b>	<b>133,481</b>	<b>20,062</b>	<b>40,559</b>	<b>319,238</b>	<b>47,982</b>
Less: Net (loss)/income attributable to the non-controlling interests	4,575	688	(119)	13,106	1,970
<b>Net income attributable to Cango Inc.’s shareholders</b>	<b>128,906</b>	<b>19,375</b>	<b>40,679</b>	<b>306,132</b>	<b>46,012</b>

	Year Ended December 31, 2016		Nine Months Ended September 30,		
			2016 (unaudited)		2017 (unaudited)
	RMB	US\$	RMB	RMB	US\$
(in thousands, except for share and per share data)					
<b>Earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholders:</b>					
Basic and diluted	0.51	0.08	0.16	1.21	0.18
<b>Weighted average shares used to compute earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholders:</b>					
Basic	127,149,202	127,149,202	127,149,202	127,149,202	127,149,202
Diluted	252,831,716	252,831,716	252,831,716	252,831,716	252,831,716

**Summary Consolidated Balance Sheet Data**

	As of December 31,		As of September 30,	
	2016		2017 (unaudited)	
	RMB	US\$	RMB	US\$
(in thousands)				
Cash and cash equivalents	44,989	6,762	630,546	94,772
Short-term investments	106,000	15,932	89,390	13,435
Accounts receivable, net	469	70	166,856	25,079
Long-term investments	185,800	27,926	141,534	21,273
Equity method investments	70,803	10,642	164,960	24,794
Total assets	714,857	107,444	1,733,163	260,497
Short-term borrowings	—	—	92,680	13,930
Accrued expenses and other current liabilities	85,854	12,904	147,715	22,202
Risk assurance liabilities	149,788	22,513	79,312	11,921
Long-term borrowings	189,573	28,493	100,963	15,175
Total liabilities	503,769	75,717	502,577	75,538
Total mezzanine equity	3,941,846	592,465	3,941,846	592,465
Total shareholders' (deficit)/equity	(3,730,759)	(560,738)	(2,711,259)	(407,506)

**Our Key Operating Metrics**

We regularly review a number of metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

	As of / in the Three Months Ended						
	March 31	June 30	September 30	December 31	March 31	June 30	September 30
	2016				2017		
Number of registered dealers	4,554	9,338	12,827	16,035	20,079	24,870	30,509
Number of financing transactions facilitated	10,793	30,704	53,573	87,336	90,791	87,854	120,915

	As of / in the Three Months Ended						
	March 31	June 30	September 30	December 31	March 31	June 30	September 30
	2016				2017		
	RMB (in millions)						
Outstanding principal of financing transactions facilitated	2,157	3,481	5,967	10,163	14,249	17,889	23,102
Amount of financing transactions facilitated	613	1,692	3,024	5,004	5,372	5,350	7,551

## RISK FACTORS

*Any risks and uncertainties we face could have a material adverse effect on our business, prospects, results of operations or financial condition. We believe that the most significant of these risks and uncertainties are described in this section, although we may be adversely affected by other risks or uncertainties that are not presently known to us, that we have failed to appreciate, or that we currently consider immaterial. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our ADSs. The market price of our ADSs could decline significantly as a result of any of these risks and uncertainties, and you may lose all or part of your investment.*

### **Risks Relating to Our Industry and Business**

***We have a limited operating history in an emerging and fast growing market. Our historical financial and operating performance may not be indicative of our future prospects and results of operations.***

The automotive and mobility markets, including the automotive finance market, in the PRC are relatively new and at an early stage of development. While it has undergone significant growth in the past few years, there is no assurance that it can continue to grow as rapidly. As part of our business, we offer automotive financing facilitation, automotive transaction facilitation and after-market services facilitation to various participants in the automotive transaction value chain, including dealers, financial institutions, car buyers and other industry participants. Helping more industry participants to recognize the value of our services is critical to increasing the number and amount of financing transactions and automotive transactions we facilitate and to the success of our business.

We launched our business in 2010 and have a limited operating history. We may not have sufficient experience to address the risks to which companies operating in new or rapidly evolving markets may be exposed. We have limited experience in most aspects of our business operation, such as credit origination, data-driven credit assessment, delinquent asset management and the development of long-term relationships with platform participants, such as dealers, financial institutions and car buyers. The laws and regulations governing the automotive finance industry in the PRC are still at a nascent stage and subject to further changes and interpretation. As the market, the regulatory environment or other conditions evolve, our existing solutions and services may not continue to deliver the expected business results. As our business develops or in response to competition, we may continue to introduce new services, make adjustments to our existing services, our credit assessment model, our business model or our operations in general. For example, we may seek to expand the base of car buyers that we serve, which could result in higher overdue ratios of financing transactions we facilitate. Our abilities to retain dealers, financial institutions and other platform participants and to attract new platform participants are also critical to our business. Any significant change to our business model or failure to achieve the intended business results may have a material and adverse impact on our financial condition and results of operations. Therefore, it may be difficult to effectively assess our future prospects.

You should consider our business and prospects in light of the risks and challenges we encounter or may encounter given the rapidly-evolving market in which we operate and our limited operating history. These risks and challenges include our ability to, among other things:

- offer automotive financing solutions to a growing number of car buyers;
- maintain and enhance our relationships and business collaboration with dealers, financial institutions and other platform participants;
- charge competitive service fees to platform participants while driving the growth and profitability of our business;
- maintain low overdue ratios of financing transactions we facilitate;

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- comply with complex and evolving laws and regulations;
- improve our operational efficiency;
- attract, retain and motivate talented employees, particularly sales and marketing, risk management as well as research and development personnel to support our business growth;
- enhance our technology infrastructure to support the growth of our business and maintain the security of our system and the confidentiality of the information provided and collected across our system;
- navigate economic conditions and fluctuations;
- implement our business strategies, including the offering of new services; and
- defend ourselves against legal and regulatory actions, such as actions involving intellectual property or data privacy claims.

### ***We may not be able to successfully expand or maintain or effectively manage relationships with our network of dealers.***

As of September 30, 2017, we had a network of 30,509 registered dealers across China. Our extensive dealer network is a foundation of our platform, and we closely collaborate with our registered dealers in providing services to financial institutions and car buyers. We plan to expand our dealer network, including by further penetrating our existing markets and expanding our geographic coverage. As China is a large and diverse market, business practices and demands may vary significantly by region and our experience in the markets in which we currently operate may not be applicable in other parts of China. As a result, we may not be able to leverage our experience to expand our dealer network into other parts of China. Furthermore, our efforts to expand into new geographical markets and attract new dealers to our platform may impose considerable burden on our sales, marketing and general managerial resources. If we are unable to manage our expansion efforts effectively, if our expansion efforts take longer than planned or if our costs for these efforts exceed our expectations, our results of operations may be materially and adversely affected.

Our relationships with our registered dealers are not exclusive, and there can be no assurance that they will maintain their level of participation on our platform. Dealers may find the amount of commissions offered by us or financial institutions to be unattractive. We also offer various solutions and services to dealers, including operating an automobile trading platform to facilitate car trading amongst dealers, facilitating dealers' purchase of cars from automotive wholesalers, and sourcing car buyers online to facilitate purchases from our registered dealers. However, our registered dealers may not utilize these solutions and services or such solutions and services may not bring the expected benefits to dealers. Dealer participation on our platform may also be affected by various factors that are beyond our control, including the decrease in popularity of the car models offered by our registered dealers. A decrease in the number of car buyers referred by our registered dealers or a reduced level of dealers' utilization of our other solutions and services could materially and adversely affect our business, financial condition and results of operations.

We manage our dealer network through three models, namely self-operated sales model, dealer financial manager model and sales agent model. Under the self-operated sales model, our in-house sales team is responsible for explaining the terms of automotive financing solutions to prospective car buyers and assisting them to complete credit applications. Under the other two models, which collectively accounted for 46.3% of the number of registered dealers in our dealer network as of September 30, 2017, we rely on dealer financial managers, who are employees of dealers, and third-party sales agents for direct interaction with prospective car buyers. Each of such dealers and third-party sales agents may collaborate with multiple providers of automotive financing solutions, and they may promote automotive financing solutions offered by our competitors more actively than ours. Furthermore, dealer financial managers and sales agents may misrepresent or omit key terms of our automotive financing solutions or otherwise fail to meet the expected quality and service standards, which would harm our reputation. Our recourse against dealers and sales agents may be limited in the event their

misconduct or negligence has caused us harm, and we may encounter significant difficulties in enforcing our contractual rights.

Since dealers and sales agents do not bear credit risk, they may refer prospective car buyers without regard to such individuals' creditworthiness. For example, they may refer us prospective car buyers who have been turned down by other financing solutions providers, and such prospective car buyers may be of poor credit quality. Certain dealers and sales agents may even assist fraudulent car buyers in preparing credit applications. If we fail to detect prospective car buyers with poor credit quality or fraudulent car buyers who are referred by dealers and sales agents, we may experience higher overdue ratios and/or suffer damage in our relationships with financial institutions. To manage such risk, we monitor our registered dealers and sales agents on an ongoing basis, identify parties associated with higher levels of delinquency and terminate those which we believe present significant credit risk to us. However, such risk management policy may not be effective and may also contribute to significant turnovers among our registered dealers and sales agents. During the nine months ended September 30, 2017, we ceased collaboration with 2,944 registered dealers. Significant turnovers may require us to devote considerable resources in identifying and screening new dealers and/or sales agents, which could have an adverse impact on our operational efficiency.

***Our success depends on our ability to attract prospective car buyers.***

In 2016 and the nine months ended September 30, 2017, the amount of financing transactions we facilitated was RMB10.3 billion (US\$1.6 billion) and RMB18.3 billion (US\$2.7 billion), respectively. The growth of our automotive financing facilitation business depends on our ability to attract prospective car buyers. In order to expand our base of car buyers, we must continue to invest significant resources in the development of new solutions and services and build our relationships with financial institutions, dealers and other platform participants. Our ability to successfully launch, operate and expand our solutions and services and to improve user experience to attract prospective car buyers depends on many factors, including our ability to anticipate and effectively respond to changing interests and preferences of car buyers, anticipate and respond to changes in the competitive landscape, and develop and offer solutions and services that address the needs of car buyers on our platform. If our efforts in these regards are unsuccessful, our base of car buyers, and the amount of financing and other transactions we facilitate to them, may not increase at the rate we anticipate, and it may even decrease. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, in order to attract prospective car buyers, we must also devote significant resources to enhancing the experience of car buyers on our platform on an ongoing basis. We must enhance the functionality and ensure the reliability of our platform. We must also continually enhance our speed for processing credit applications without compromising our risk management function. If we fail to provide superior customer service or address complaints of car buyers on our platform in a timely manner, we may fail to attract prospective car buyers as to our solutions and services, the number of financing transactions we facilitate may decline.

In the meantime, we also seek to maintain our relationships with existing car buyers and cross-sell new solutions and services, such as insurance and wealth management products. However, there can be no assurance that we will be able to maintain or deepen such relationships.

***We rely on a limited number of financial institutions to fund the financing transactions we facilitate and any adverse change in our relationships with such financial institutions may materially and adversely impact our business and results of operations.***

We rely on a limited number of financial institutions to fund financing transactions to car buyers. As of September 30, 2017, we were in collaboration with five third-party financial institutions. In the nine months ended September 30, 2017, the amount of financing transactions we facilitated was RMB18.3 billion (US\$2.7 billion), 98.9% of which was funded by third-party financial institutions. The availability of funding from

financial institutions depends on many factors, some of which are out of our control. Financial institutions may find our services, such as credit origination, credit assessment or delinquent asset management, to be ineffective, or our service fees to be too expensive. In addition, regardless of our risk management efforts, financing transactions we facilitate may nevertheless be considered riskier and may have a higher overdue ratio than financing transactions funded to car buyers with more established credit histories by traditional financial institutions. We have relied on, and we may continue to rely on, two financial institutions, Jincheng Bank and WeBank, to arrange funding for a substantial portion of financing transactions we facilitate. In the nine months ended September 30, 2017, 85.2% and 12.9% of the amount of financing transactions we facilitate was respectively funded (i) under the direct partnership model by Jincheng Bank and (ii) under the co-partnership model, in which we partner with WeBank to facilitate financing transactions with funding provided by WeBank and other financial institutions. For further information as to our arrangements with these financial institutions, see “Business—Our Relationships with Our Platform Participants—Financial Institutions.” There can be no assurance that we will be able to rely on such funding arrangements in the future. For example, although we collaborated with four financial institutions under the co-partnership model as of September 30, 2017, any such financial institution may decide to reduce the amount that it will fund for financing transactions we facilitate in the future or discontinue such funding altogether. We continue to identify and expand the number of financial institutions to collaborate with, but there can be no assurance that the number of financial institutions we collaborate with will become increasingly diversified in the future. Given our current dependence on a relatively small number of financial institutions, if any such financial institution determines not to collaborate with us or limits the funding that is available for financing transactions we facilitate, or if any such financial institution encounters liquidity issue in general, our business, financial condition and results of operations may be materially and adversely affected.

Certain financial institutions we collaborate with have limited operating history in automotive financing. Furthermore, our ability to collaborate with financial institutions may become subject to new regulatory limitations, as the laws and regulations governing the automotive finance industry and the commercial banking industry in the PRC continue to evolve. We may from time to time experience constraints as to the availability of funds from financial institutions, especially as our business continues to grow and the need for funding increases. Such constraints may affect user experience, including by limiting our ability to facilitate financing transactions. Such limitations may also restrain the growth of our business. Any prolonged constraint as to the availability of funds from financial institutions may also harm our reputation or result in negative perception of the services we offer, thereby decreasing the willingness of prospective car buyers to seek automotive financing solutions facilitated by us or the willingness of dealers and other platform participants to collaborate with us.

***We may fail to maintain relationships with online automotive advertising platforms and to effectively manage such relationships.***

We collaborate with leading online automotive advertising platforms to tap into the large user base of these platforms. Users who are interested in our automotive financing solutions are directed to our call center. Our call center staff further explains our solutions to the user and assists the user in finding a suitable car in our dealer network. We view online automotive advertising platforms as alternative channels to engage car buyers. Such platforms may enter into exclusive business collaboration with our competitors, or they may offer automotive financing solutions of their own and compete with our business. If we were unable to source car buyers through these online channels or effectively engage such car buyers, the value that our platform is able to bring to other participants such as dealers and financial institutions may be materially and adversely affected, and our business, financial condition and results of operations may become negatively impacted as a result.

***OEMs may not continue to participate on our platform.***

Some of the financing transactions we facilitate are part of OEM-sponsored subsidy programs. We enable collaboration between OEMs and financial institutions to design low-interest financing solutions for car buyers. In addition, as part of our automotive transaction facilitation services, we plan to purchase cars from OEMs to

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facilitate the sale of such cars to our registered dealers. We believe our collaboration with OEMs makes our platform even more attractive to car buyers and dealers, thereby enhancing the network effect. However, there can be no assurance that we will be able to build and grow our relationships with OEMs. OEMs may reduce the amount of subsidies for low-interest financing solutions offered on our platform or even terminate such subsidies. OEMs may also decide not to sell any cars on acceptable terms or at all or limit the number or types of cars that are sold to us. Our failure to build and grow our relationships with OEMs could materially and adversely affect our business, financial condition and results of operations.

***We may not be able to effectively manage our growth, control our expenses or implement our business strategies, in which case we may be unable to maintain high quality services or compete effectively.***

We have experienced a period of rapid growth and expansion, which has placed, and continues to place, significant strain on our management and resources. There can be no assurance that our level of revenue growth and profitability will be sustainable or achieved at all in the future. We believe that our continued growth and expansion will depend on our ability to develop new sources of revenue, attract new car buyers, collaborate with additional financial institutions, retain and expand our dealer network, maintain and grow our relationships with OEMs and capture growth opportunities in new geographies. There can be no assurance that we will achieve any of the above. Upon the completion of the Acquisition, Shanghai Autohome will become our consolidated subsidiary. Autohome Shanghai's cost structure differs from ours, and the Acquisition may negatively affect our profit margin.

To manage our growth and expansion, and to maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including improving our technology infrastructure as well as accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with platform participants. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. Our further expansion may divert our management, operational or technological resources from our existing business operations. In addition, our expansion may require us to penetrate into new cities in China, where we may have difficulty in satisfying local market demands and regulatory requirements. We cannot assure you that we will be able to effectively manage our growth and expansion or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

***We operate in a market where the credit infrastructure is still at an early stage of development. Information that we receive from third parties concerning a prospective car buyer may be outdated, incomplete or inaccurate, which may compromise the accuracy of our credit assessment.***

China's credit infrastructure is still at an early stage of development. The Credit Reference Center established by the People's Bank of China, or the PBOC, in 2002 has been the only credit reporting system in China. This centrally managed nationwide credit database operated by the Credit Reference Center only records limited credit information, such as tax payments, civil lawsuits, foreclosures and bankruptcies. Moreover, this credit database is only accessible to banks and a limited number of market players authorized by the Credit Reference Center and does not support sophisticated credit scoring and assessment. In 2015, the PBOC announced that it would open the credit reporting market to private sectors with a view to spurring competition and innovation, but it may be a long-term process to establish a widely-applicable, reliable and sophisticated credit infrastructure in the market we operate.

For the purpose of credit assessment, we obtain credit information from prospective car buyers, and with their authorization, obtain credit data from external parties to assess applicants' creditworthiness. We may not be able to source credit data from such external parties at a reasonable cost or at all. Such credit data may have limitations in measuring prospective car buyers' creditworthiness. If there is an adverse change in the economic condition, credit data provided by external parties may no longer be a reliable reference to assess an applicant's creditworthiness, which may compromise our risk management capabilities. As a result, our assessment of a car buyer's credit profile may not reflect that particular car buyer's actual creditworthiness because assessment may

be based on outdated, incomplete or inaccurate information. There is also a risk that following our obtaining a car buyer's information, the car buyer may have:

- become delinquent in the payment of an outstanding obligation;
- defaulted on a pre-existing debt obligation;
- taken on additional debt, including pledging the car as collateral for such debt; or
- sustained other adverse financial events.

Such outdated, incomplete or inaccurate information could compromise the accuracy of our credit assessment model and adversely affect the effectiveness of our control over our overdue ratios, in which case our results of operations will be harmed.

***We rely on our credit assessment model and credit assessment team in evaluating credit applications. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed.***

Credit applications by our car buyers are evaluated based on credit assessment conducted by our credit assessment model, and our credit assessment team conduct a manual evaluation when necessary. Based on our credit assessment model, we automatically approved 17.1% of applications, and we automatically rejected approximately 8.1% of applications during the three months ended September 30, 2017. Our credit assessment team, which was comprised of more than 50 experienced reviewers as of September 30, 2017 and led by a supervisor with over 15 years of experience in automotive finance, manually evaluates the rest of the applications. If our credit assessment model or our credit assessment team fail to perform effectively, our business and results of operations may be materially and adversely affected.

Our credit assessment model builds on machine learning algorithms including logistic regression and gradient boost decision tree. While we rely on machine learning algorithms to refine our model and system, there can be no assurance that our application of such algorithms will continue to deliver the expected benefits. In addition, as we have a limited operating history, we may not have accumulated sufficient credit data to optimize our model and system. Even if we have sufficient credit data and our credit assessment model has been tailored for prospective car buyers on our platform for our current operation, such data and credit assessment model might not be effective as we continue to increase the amount of financing transactions we facilitate, expand the car buyer base and broaden our engagement efforts with car buyers generally through different channels in the future. If our system contains programming or other errors, if our model is ineffective or if the credit data we obtained is incorrect or outdated, our credit assessment abilities could be negatively affected, resulting in incorrect approvals or denials of credit applications.

We rely on our credit assessment team to evaluate a substantial portion of credit applications submitted by prospective car buyers. Our reviewers frequently exercise judgments based on their experience and knowledge, and such judgments are subject to errors. In addition, if we fail to retain experienced reviewers or effectively train new reviewers, we may be unable to either offer financing solutions to creditworthy car buyers or maintain low overdue ratios of financing transactions we facilitate. To improve our operational efficiency, we plan to enhance the level of automation in the credit assessment process. However, such change in the credit assessment process could lead to an increase in overdue ratios, which would materially and adversely impact our business and results of operations.

***If we are unable to maintain low overdue ratios for financing transactions we facilitate, our business and results of operations may be materially and adversely affected. Historical overdue ratios for financing transactions we facilitated may not be indicative of future results.***

We may not be able to maintain low overdue ratios for financing transactions we facilitate, and such overdue ratios may be significantly affected by economic downturns or general economic conditions beyond our

control and beyond the control of individual car buyers. A significant number of financing transactions we facilitated have been outstanding for a relatively short period and are not fully seasoned. M3+ overdue ratio for all financing transactions which we facilitated and remained outstanding decreased from 2.30% as of March 31, 2016 to 0.24% as of September 30, 2017. However, we cannot assure you that such overdue ratios will continue to decrease in the future or that the overdue ratio as of September 30, 2017 is indicative of our future credit performance. Overdue ratios for financing transactions we facilitated may deteriorate as such financing transactions fully season or as our business volume expands. The way how car buyers' delinquencies affects our results of operations depends on the funding arrangement for the relevant financing transactions.

We are not obligated to bear credit risk for financing transactions funded by Jincheng Bank under the direct partnership model. However, an increased level of credit losses suffered by Jincheng Bank with respect to financing transactions we facilitate would harm our business relationship with Jincheng Bank. During the nine months ended September 30, 2017, the amount of financing transactions funded by Jincheng Bank under this arrangement was RMB15.6 billion (US\$2.3 billion), representing 85.2% of the total amount of financing transactions we facilitated.

Under our arrangements with certain financial institutions, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. During the nine months ended September 30, 2017, the amount of financing transactions funded by financial institutions under such arrangements was RMB2.5 billion (US\$374.6 million), representing 13.6% of the total amount of financing transactions we facilitated. At the inception of each financing transaction facilitated under such arrangements, we recognize risk assurance liabilities at fair value. We recognize additional risk assurance liabilities when the car buyer's default is probable. Accordingly, an increase in overdue ratios of financing transactions for which we are obligated to bear credit risk could have a material adverse impact on our results of operations. Our risk assurance liabilities were RMB79.3 million (US\$11.9 million) as of September 30, 2017, and the amount of performed risk assurance liabilities was RMB68.2 million (US\$10.2 million) in the nine months ended September 30, 2017. Furthermore, our fair value estimation of risk assurance liabilities requires a significant degree of judgment and may not fully reflect the credit quality of the relevant financing transactions. We will incur net loss on risk assurance liabilities to the extent the credit quality of such financing transactions is worse than our estimate at inception.

As a result of the Acquisition, we will record financing lease receivables in relation to financing leases funded by Shanghai Autohome on our consolidated balance sheet. As such, we will bear credit risk as to such financing leases, and any increase in overdue ratios could materially and adversely affect our business, results of operations and financial condition.

***Collection and repossession efforts by our in-house team and third-party service providers may become less effective and may also subject us to regulatory risks and reputational risks.***

We utilize our in-house team to collect repayment and third-party repossession agents to repossess car collaterals. The effectiveness of our collection and repossession efforts is critical to our business. We are not obligated to bear credit risk for financing transactions funded by Jincheng Bank under the direct partnership model. However, failures in our collection and repossession efforts would harm our business relationship with Jincheng Bank. Under our arrangements with certain financial institutions, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. As a result of the Acquisition, we will record financing receivables in relation to financing leases funded by Shanghai Autohome on our balance sheet. As such, we will bear credit risk as to such financing leases. Our failure to collect overdue repayments for the financing transactions we facilitate or repossess the related car collaterals will have a material adverse effect on our business operations and financial position. As the amount of financing transactions we facilitate increases in the future, we may devote additional resources into our collection and repossession efforts. However, we cannot assure you that our collection and repossession efforts will be successful and that we would be able to utilize such additional resources in a cost-efficient manner.

As an aid to our repossession efforts, we install a telematics device in every car purchased through our platform. However, there can be no assurance of the effectiveness of such measure. For example, we might be

unable to locate cars parked in underground garages or remote areas due to poor telematics signal reception. Even if we were able to locate a car, the car buyer may resort to physical force to resist repossession or steal the repossessed car from our warehouse. From the beginning of 2016 to September 30, 2017, the success rate for our repossession agents to repossess cars with telematics devices was 69.5%. Furthermore, the telematics devices may be removed intentionally by car buyers or dealers or unintentionally during repairs, and we would need to rely on other information relating to the car buyer, including the address specified in the credit application, to locate such cars. From the beginning of 2016 to September 30, 2017, the success rate for our repossession agents to repossess cars without telematics devices was 27.4%.

We endeavor to ensure our collection and repossession efforts comply with the relevant laws and regulations in the PRC and we have established strict policies and implemented measures to ensure that our collections personnel and third-party repossession agents do not engage in aggressive or predatory practices. We cannot assure you that such teams will not engage in any misconduct while performing their tasks. In particular, we have no direct control over the employees of third-party repossession agents. Any misconduct by our collection personnel and third-party repossession agents or the perception that our collection and repossession practices are considered to be aggressive, predatory or not compliant with the relevant laws and regulations in the PRC may result in harm to our reputation and business, which could further undermine our ability to collect repayments or repossess cars from car buyers in default, lead to a decrease in the willingness of prospective car buyers to apply for and utilize financing transactions we facilitate, or result in fines and penalties being imposed by the relevant regulatory authorities, any of which may have a material adverse effect on our results of operations.

***The service fees for our automotive financing facilitation services may decline in the future, and any material decrease in such service fees could harm our business, financial condition and results of operations.***

We generate substantially all of our revenue from automotive financing facilitation services. Any material decrease in our service fees from automotive financing facilitation services would have a substantial impact on our revenue and profit margin. The service fees we charge financial institutions could be affected by a variety of factors, including the competitive landscape of the automotive finance industry and regulatory requirements. Our service fees from financial institutions may also be affected by a change over time in the mix of the types of services we offer. Our competitors may also offer more attractive service fees, which may require us to reduce our service fees to compete effectively.

In addition, our financing facilitation service fees are sensitive to many macroeconomic factors beyond our control, such as inflation, recession, the state of the credit markets, changes in market interest rates, global economic disruptions, unemployment and fiscal and monetary policies. In the event that the amount of service fees we charge financial institution decrease significantly in the future and we are not able to adopt any cost control initiatives, our business, financial condition and results of operations will be harmed.

***The laws and regulations governing the automotive and mobility industries in the PRC are subject to further changes and interpretation. If our business practices or the business practices of third parties that we collaborate with are deemed to violate any PRC laws or regulations, our business, financial condition, results of operations and prospects would be materially and adversely affected.***

Our business may be subject to a variety of laws and regulations in the PRC governing the automotive and mobility industries, including the automotive finance industry. The application and interpretation as to certain of these laws and regulations are currently ambiguous, and may be interpreted and administered inconsistently between the different government authorities and local bureaus. The PRC government may also implement measures to control credit supply, which would affect the automotive finance industry.

As of September 30, 2017, we have not been subject to any material fines or other penalties under any PRC laws or regulations as to our business operations. However, if the PRC government tightens regulatory framework for the automotive and mobility industries in the future, and subject industry participants such as our

company to new or specific requirements (including without limitation, capital requirements and licensing requirements), our business, financial condition and prospects would be materially and adversely affected. Compliance with existing and future rules, laws and regulations can be costly and if our practice is deemed to violate any existing or future rules, laws and regulations, we may face injunctions, including orders to cease non-compliant activities, and may be exposed to other penalties as determined by the relevant government authorities as well.

In September 2016, a local branch of administration for industry and commerce, or the AIC, in Changsha of Hunan province imposed an administrative penalty to our subsidiary in Hunan and held that the commissions paid by us to local dealers in connection with automotive financing facilitation constituted commercial bribes in violation of Anti-Unfair Competition Law of the People's Republic of China, which was promulgated by the National People's Congress in September 1993, and amended in November 2017 after the local AIC's penalty decision, or the Anti-Unfair Competition Law, and the Interim Provisions on Banning Commercial Bribery which was promulgated by the State Administration for Industry and Commerce in November 1996, or the Anti-Bribery Provisions. We surrendered RMB58,499.23 (US\$8,792.52) of alleged illegal income and paid a fine of RMB100,000.00 (US\$15,030.14) pursuant to the local AIC's decision. It is common practice in the PRC to pay dealers commissions for their services in connection with automotive financing facilitations and we have not received any similar penalty decisions from national or other local AICs where we have operations. Pursuant to the Anti-Unfair Competition Law, it is permitted to pay commissions to a middleman explicitly if the parties properly reflect such commissions in their financial records. To strengthen our compliance under the anti-bribery and fair competition laws, we are in the process of negotiating written contracts with local dealers in Hunan province and other regions in the PRC to document the terms of the dealers' services and the amount of commissions payable by us for such services, which have been reflected in our financial and tax accounts. However, there are substantial uncertainties regarding the implementation and interpretation of PRC laws and regulations in this regard, which are at the local governmental agencies' significant discretion; further, the Anti-Bribery Provisions and the Anti-Unfair Competition Law may be interpreted and administered inconsistently between different local AICs and such interpretations may change over time. See “—Risks Relating to Doing Business In China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.” There can be no assurance that we will not be subject to similar penalty due to allegations of violating relevant commercial bribery or unfair competition laws in the future by the local AIC in Changsha or other regions where we have operations or that we will be able to defend ourselves against such allegations. If we become subject to additional penalties for commissions paid to dealers, we may have to change our business model or cease part of our business, which could materially and adversely affect our business, results of operations or financial condition.

The Office of the Leading Group for Specific Rectification against Online Finance Risks and the Office of the Leading Group for Specific Rectification against P2P Online Lending Risks jointly issued the Circular on Regulating and Rectifying Cash Loan Business on December 1, 2017, or Circular 141. Among other things, Circular 141 provides restrictions on banks' collaboration with third parties in cash loan business. Pursuant to Circular 141, a bank may not outsource its core business functions, such as credit assessment and risk management, to third parties. Circular 141 also prohibits a bank participating in loan facilitation transactions from accepting credit enhancement services from a third party which has not obtained any license or approval to provide guarantees, including credit enhancement service in the form of a commitment to assume default risks. In addition, a bank may not permit its service provider in cash loan business to collect interest or fees from borrowers. As Circular 141 is relatively new, it remains uncertain how the regulatory authorities will interpret and enforce the requirements. The opening paragraph of Circular 141 states, in relevant parts, that while the growth of cash loan business “has helped certain groups in society satisfy their needs for normal consumption credit to a certain extent, it has created several significant problems including, among other things, over-borrowing, repetitive credit approvals, improper collection practice, excessively high interest rates and intrusions on personal privacy, posing relatively large financial risk and societal risk.” While this statement suggests that the regulatory authorities are primarily concerned about abuses in the cash loan industry, it is uncertain whether any requirements in Circular 141 may be applicable to the automotive finance industry. In connection with our

automotive financing facilitation business, we provide credit assessment service to financial institutions to assist them in making ultimate credit decisions. Under our arrangements with certain financial institutions, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. In addition, we charge car buyers fees for value-added services associated with purchasing a car with financing. If the relevant regulatory authorities determine that Circular 141 is applicable to the automotive finance industry, and our business is deemed to be in violation of Circular 141, we could be subject to penalties and/or be required to significantly change our business model.

***We may be deemed to operate financing guarantee business by the PRC regulatory authorities.***

The State Council promulgated the Regulations on the Administration of Financing Guarantee Companies, or the Financing Guarantee Rules, on August 2, 2017 which became effective on October 1, 2017. Pursuant to the Financing Guarantee Rules, “financing guarantee” refers to the activities in which guarantors provide guarantee to the guaranteed parties as to loans, bonds or other types of debt financing, and “financing guarantee companies” refer to companies legally established and operating financing guarantee business. According to the Financing Guarantee Rules, the establishment of financing guarantee companies shall be subject to the approval by the competent government authority, and unless otherwise stipulated, no entity may operate financing guarantee business without such approval. If any entity violates these regulations and operates financing guarantee business without approval, the entity may be subject to penalties including ban or suspension of business, fines of RMB500,000 to RMB1,000,000, confiscation of illegal gains if any, and if the violation constitutes a criminal offense, criminal liability shall be imposed in accordance with the law.

We have entered into cooperation arrangement with WeBank under the co-partnership model. See “Business—Our Relationships with Our Platform Participants—Financial Institutions—Co-partnership Model.” For financing transactions funded under the co-partnership model, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. For the nine months ended September 30, 2017, such financing transactions represented 12.9% of the total amount of financing transactions we facilitated. We are also obligated to bear credit risk with respect to an insignificant amount of financing leases funded under the direct partnership model. For the nine months ended September 30, 2017, such financing leases represented 0.7% of the total amount of financing transactions we facilitated.

Due to the lack of further interpretations, the exact definition and scope of “operating financing guarantee business” under the Financing Guarantee Rules is unclear. It is uncertain whether we would be deemed to operate financing guarantee business because of our current arrangements with certain financial institutions. Furthermore, pursuant to Circular 141, a bank participating in loan facilitation transactions may not accept credit enhancement service from a third party which has not obtained any license or approval to provide guarantees, including credit enhancement service in the form of a commitment to assume default risks. If the relevant regulatory authorities determine that such prohibition is applicable to the financing transactions we facilitate, we may be required to either cease bearing credit risk as part of our arrangements with the financial institutions as described above or obtain approval or license for financing guarantee business. If we were unable to satisfy either requirement, we may no longer be able to collaborate with the relevant financial institutions, or become subject to penalties, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

***Our business of facilitating financing transactions between financial institutions and car buyers may constitute provision of intermediary service, and our agreements with these financial institutions may be deemed as intermediation contracts under the PRC Contract Law.***

Our business of facilitating financing transactions by connecting financial institutions and individual car buyers may constitute an intermediary service, and such services may be deemed as intermediation contracts under the PRC Contract Law. Under the PRC Contract Law, an intermediary may not claim for service fee and is liable for damages if it conceals any material fact intentionally or provides false information in connection with

the conclusion of an intermediation contract, which results in harm to the client's interests. See "Regulation—Regulations Related to Intermediation." Therefore, if we fail to provide material information to financial institutions, or if we fail to identify false information received from car buyers or others and in turn provide such information to financial institutions, and in either case if we are also found to be at fault, due to failure or deemed failure to exercise proper care, such as to conduct adequate information verification or employee supervision, we could be held liable for damage caused to financial institutions as an intermediary pursuant to the PRC Contract Law. In addition, if we fail to complete our obligations under the agreements entered into with financial institutions, we could also be held liable for damages caused to financial institutions pursuant to the PRC Contract Law.

***We may not be able to enforce our rights against car buyers.***

We offer car buyers various value-added services associated with purchasing a car with financing. Such services mainly involve registrations of license plates and collaterals with the relevant government authorities. We charge certain car buyers fees for such services, but we do not enter into written contracts with such car buyers. In the event a legal dispute arises between a car buyer and us, we may not be able to enforce our rights against the relevant car buyer. Our failure to enforce our rights may materially and adversely affect our business, results of operation and financial condition.

***The scale of Shanghai Autohome's business may be limited by its total net assets.***

In September 2013, the Ministry of Commerce, or the MOFCOM, promulgated the Measures for Supervision and Administration of Financing Lease Enterprises, pursuant to which the risk assets of a financing lease enterprise may not exceed ten times of its total net assets. According to the Measures for the Administration of Foreign Funded Lease Industry, promulgated by the MOFCOM in 2005 and amended by the MOFCOM in 2015, the term "risk assets" refers to a company's total assets, net of cash, bank deposits, Chinese treasury bonds and lease assets held in custody. Shanghai Autohome funds financing leases for car buyers on our platform, and its risk assets consist of financing lease receivables relating to the financing leases it funds.

We currently own 50% equity interest in Shanghai Autohome. Upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary. We plan to expand the amount of financing leases provided by Shanghai Autohome, which would increase the amount of financing lease receivables of Shanghai Autohome. When the amount of financing lease receivables exceeds ten times of Shanghai Autohome's total net assets, we may be required to increase the total net assets of Shanghai Autohome by means of, among others, increasing the paid-up capital contribution. However, we cannot assure you that we will be able to make such capital contribution timely, or at all. Our inability to make such capital contribution on a timely basis could have an adverse impact on our business.

***We face intense competition and we may not be able to compete effectively.***

The automotive transaction industry in China is large yet competitive. We compete against automotive transaction platforms that connect various players across the automotive transaction value chain, to facilitate automotive and automotive-related transactions, including automotive financing. Our competitors may offer automotive financing solutions with lower cost and/or deliver better user experience to prospective car buyers. We may also in the future face competition from new entrants that will increase the level of competition. We anticipate that more established companies, including technology companies that possess large, existing user bases, substantial financial resources and sophisticated technological capabilities may also enter the market in the future. Our competitors may operate different business models, have different cost structures or participate selectively in different industry segments. They may ultimately prove to be more successful or more adaptable to customer demand and new regulatory, technological and other developments. Some of our current and potential competitors may have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sales and support of their platform, product

and solution and service offerings. Our competitors may also have longer operating history, greater brand recognition and brand loyalty and broader or closer relationships with dealers, financial institutions, OEMs or other automotive transaction industry participants than us. Additionally, a current or potential competitor may acquire, or form a strategic alliance with, one or more of our other competitors. Our competitors may be better at developing new products and solutions and services, offering more attractive fees, responding more quickly to new technologies and undertaking more extensive and effective marketing campaigns. More players may enter the automotive transaction or automotive finance industry and intensify the market competition. In response to competition and in order to grow or maintain the amount of financing transactions facilitated to car buyers, we may have to lower and/or adjust the various fees that we charge or pay to the different platform participants, which could materially and adversely affect our business, profit margins and results of operations. If we are unable to compete with such companies and meet the need for innovation in our industry, the demand for our services could stagnate or substantially decline, which could harm our business and results of operations.

***If our new solutions and services do not achieve sufficient market acceptance or provide the expected benefits to platform participants, our financial condition, results of operations and competitive position will be materially and adversely affected. New solutions and services may also subject us to regulatory risks.***

We have incurred and will continue to incur expenses and consume resources to develop and market new solutions and services for platform participants, including dealers, financial institutions and car buyers. For example, we plan to offer automotive insurances and health insurances on our platform, facilitate inventory and supply chain financing for dealers and develop SaaS solutions for dealers. We may also develop new solutions and services for other industry participants, such as OEMs and insurance brokers and companies. New solutions and services must achieve high levels of market acceptance in order for us to recoup our investment in developing, acquiring and bringing them to market.

Our existing or new solutions and services and changes to our platform could fail to attain sufficient market acceptance for many reasons, including but not limited to:

- our failure to predict market demand accurately and supply solutions and services that meet this demand in a timely fashion;
- platform participants may not like, find useful or agree with any changes we make;
- our failure to properly price new solutions and services;
- negative publicity about our solutions and services or our platform's performance or effectiveness;
- failure to seamlessly integrate our technology system with those of existing or new financial institutions we collaborate with;
- failure to evaluate credit applications efficiently;
- views taken by regulatory authorities that the new solutions and services or platform changes do not comply with PRC laws, rules or regulations applicable to us; and
- the introduction or anticipated introduction of competing solutions and services by our competitors.

If our new solutions and services do not achieve adequate acceptance in the market or provide the expected benefits to platform participants, our competitive position, financial condition and results of operations could be harmed. In addition, we may incur higher cost and expenses as a result of new solutions and services. New solutions and services may also subject us to additional regulatory or licensing requirements. Failure by us to comply with any such new regulatory or licensing requirements could materially and adversely affect our business and results of operations.

***We may need additional capital to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.***

Since inception, we have issued equity securities and borrowed from financial institutions to support the growth of our business. As we intend to continue to make investments to support the growth of our business, we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including developing new solutions and services, increasing the amount of financing transactions we facilitate, further enhance our risk management capabilities, increasing our sales and marketing expenditures to improve brand awareness and engage car buyers through expanded online channels, enhancing our operating infrastructure and acquiring complementary businesses and technologies. We plan to expand the amount of financing leases provided by Shanghai Autohome, and we may need to make additional capital contribution as a result. Furthermore, we may increase the number of cars that we purchase from automotive wholesalers or OEMs to enable our registered dealers to access additional car sourcing channels. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Repayment of the debts may divert a substantial portion of cash flow to repay principal and service interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; and we may suffer default and foreclosure on our assets if our operating cash flow is insufficient to service debt obligations, which could in turn result in acceleration of obligations to repay the indebtedness and limit our sources of financing.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, financial condition, results of operations and prospects could be adversely affected.

***Our failure to adequately recover value of car collaterals may materially and adversely affect our results of operations.***

All financing transactions we facilitate are secured by car collaterals. Change in the residual value of car collaterals securing these financing transactions may affect their recoverability. How such change affects our results of operations depends on the funding arrangement for the relevant financing transaction. We are not obligated to bear credit risk for financing transactions funded by Jincheng Bank under the direct partnership model. Nonetheless, we charge Jincheng Bank a fee for disposals of repossessed cars, and such fee is based on a percentage of the proceeds from disposals. As such, a decrease in residual value of car collaterals results in a decrease in the fee we charge for disposals. Under our arrangements with certain financial institutions, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. After purchasing such financing receivables, security interest in the collateral is also transferred to us. We incur losses as residual value of car collaterals declines below the amount we expected to recover. In addition, our equity investee Shanghai Autohome funds financing leases with its own capital, in which case security interest in the relevant collaterals belongs to Shanghai Autohome.

Residual value of car collaterals are often affected by factors beyond our control. After purchase by a car buyer, a car may suffer damage from traffic accidents. In addition, the introduction of new car models and overall trend of gradual decrease in used car prices with the age of cars may cause the residual value of cars to decrease. Restrictions on inter-city or inter-province transfer of used cars imposed by various local government authorities in China may also result in lower residual value of cars that likely will be transferred to such cities with local transfer restrictions. Although the central PRC government has recently issued several official

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opinions or circulars to prohibit such local restrictions and market segregation, aiming to stimulate inter-city or inter-province used car trading by deregulation, certain transfer restrictions are still officially allowed. Residual value may also be adversely affected due to inappropriate handling of the third parties we collaborate with, including repossession agents and warehouses. Our pricing models may not be able to capture all factors that may affect the residual value of car collaterals. Significant decrease in residual value of car collaterals may lower the recoverability of financing transactions and undermine the cost efficiency of our repossession efforts, which may materially and adversely affect our results of operations. Furthermore, there can be no assurance that we will be able to dispose car collaterals at residual values, or at all.

***Our failure to facilitate the sale of cars that we purchased to dealers may have a material and adverse effect on our business, financial condition and results of operations.***

In late 2017, we started to purchase cars from automotive wholesalers to facilitate the sale of such cars to our registered dealers. We primarily purchase car models that are reliable, affordable and based on our insights as to car buyers, feedback from registered dealers and market analysis as to perception and demand for such models, will appeal to car buyers in lower-tier cities. We price cars based on our massive amount of automotive transaction data associated with providing automotive financing solutions as well as data from facilitating other automotive transactions such as automobile trading between dealers to efficiently facilitate their sale. We have limited experience in the purchase of cars for sale to dealers, and there is no assurance that we will be able to do so effectively. Demand for the type of cars that we purchase can change significantly between the time the cars are purchased and the date of sale. Demand may be affected by new car launches, changes in the pricing of such cars, defects, changes in consumer preference and other factors, and dealers may not purchase them in the quantities that we expect. We may also need to adopt more aggressive pricing strategies for these cars than originally anticipated. We face inventory risk in connection with the car purchased, including the risk of inventory obsolescence, a decline in values, and significant inventory write-downs or write-offs. If we were to adopt more aggressive pricing strategies, our profit margin may be negatively affected as well. We may also face increasing costs associated with the storage of these cars. Any of the above may materially and adversely affect our financial condition and results of operations.

***Any harm to our brand or reputation or any damage to the reputation of financial institutions we collaborate with or other third parties or the automotive finance industry or failure to enhance our brand recognition could have a material adverse effect on our results of operations and growth prospects.***

Enhancing the recognition and reputation of our brand is critical to our business and competitiveness. Factors that are vital to this objective include but are not limited to our ability to:

- maintain the quality and reliability of our platform;
- maintain and develop relationships with dealers and financial institutions;
- maintain and develop relationships with OEMs;
- provide prospective car buyers and existing car buyers with superior experiences;
- enhance and improve our credit assessment of car buyers;
- effectively manage and resolve any complaints of dealers, financial institutions or car buyers; and
- effectively protect personal information and privacy of car buyers and any sensitive data received from financial institutions.

Any malicious or inadvertent negative allegations made by the media or other parties about the foregoing or other aspects of our company, including but not limited to our management, business, compliance with law, financial condition or prospects, whether with merit or not, could severely hurt our reputation and harm our business and results of operations.

As the automotive finance market in China is under rapid development and the regulatory framework for this market is also evolving, negative publicity about this industry may arise from time to time. Negative publicity about China's automotive finance industry in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities. Furthermore, any negative development in the automotive finance industry, such as bankruptcies or failures of platforms providing automotive financing solutions, and especially a large number of such bankruptcies or failures, or negative perception of the industry as a whole, such as any failure of platforms providing automotive financing solutions to detect or prevent money laundering or other illegal activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our ability to attract new dealers, financial institutions, car buyers and other platform participants. Negative developments in the automotive finance industry, such as widespread car buyer defaults, fraudulent behavior and/or the closure of platforms providing automotive financing solutions, may also lead to tightened regulatory scrutiny of the sector and limit the scope of permissible business activities that may be conducted by companies like us. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

We collaborate with various automotive transaction industry participants in providing our solutions and services. Such participants include dealers, financial institutions, sales agents, repossession agents, insurance brokers and companies and other business partners. Negative publicity about such counterparties, including any failure by them to adequately protect the information of car buyers, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation.

***Fraudulent activities associated with car buyers could negatively impact our results of operations, brand and reputation and cause the use of our services to decrease.***

We are subject to the risk of fraudulent activities associated with car buyers, who may provide us with information that is inaccurate or misleading. We do not and may not be able to verify all the information we receive from car buyers. To the extent we verify car buyers' information, our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. Furthermore, parties that handle car buyer information, such as dealers and sales agents, may aid car buyers in committing frauds. A significant increase in fraudulent activities could negatively affect our results of operations, harm our brand and reputation, discourage financial institutions from collaborating with us, reduce the amount of financing transactions facilitated to car buyers and lead us to take additional steps to reduce fraud risk, which could increase our costs. An overall increase of fraudulent activities in the automotive finance market or the consumer finance industry or incidence of high profile fraudulent activity could even lead to regulatory intervention, and may divert our management's attention and cause us to incur additional expenses and costs. Moreover, inaccurate, misleading or incomplete car buyer information could also potentially subject us to liability as an intermediary under the PRC Contract Law. See "Regulation—Regulations Related to Intermediation." Although we have not been materially affected by fraudulent activities associated with car buyers in the past, we cannot rule out the possibility that such fraudulent activities may materially and adversely affect our business, financial condition and results of operations in the future.

***Fluctuations in interest rates could negatively affect our reported results of operations.***

We charge service fees to financial institutions for facilitating financing transactions. If prevailing market interest rates decline, the operating margins of financial institutions may decrease, which may force us to lower the service fees we are able to charge them. If we do not sufficiently lower our service fees and keep our fees competitive in such instances, financial institutions may decide not to utilize our services because of our less competitive service fees and may take advantage of lower service fees offered by other companies, and our ability to retain, attract and engage prospective financial institutions as well as our competitive position may be severely undermined. On the other hand, if prevailing market interest rates increase, car buyers would be less likely to finance car purchases with credit, and our financial condition and profitability could also be materially and adversely affected.

***Our quarterly results may fluctuate significantly partly due to seasonality and may not fully reflect the underlying performance of our business.***

Our quarterly results of operations, including the levels of our revenues, operating cost and expenses, net (loss)/income and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control, and period-to-period comparisons of our operating results may not be meaningful, especially given our limited operating history. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Fluctuations in quarterly results may adversely affect the price of our ADSs. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to attract new car buyers;
- our ability to maintain existing relationships with business partners and establish new relationships with additional business partners, such as dealers, financial institutions and OEMs;
- the amount of financing transactions we facilitate;
- overdue ratios of financing transactions we facilitate;
- the mix of solutions and services we offer;
- the amount and timing of our operating cost and expenses and the maintenance and expansion of our business, operations and infrastructure;
- financial institutions' willingness and ability to fund financing transactions through our platform on reasonable terms;
- our emphasis on experience of car buyers, instead of near-term growth;
- the timing of expenses related to the development or acquisition of technologies or businesses;
- proper and sufficient accounting policies with respect to our risk assurance liabilities and implementation;
- network outages or security breaches;
- general economic, industry and market conditions; and
- changes in applicable laws and regulations.

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

***We may not realize the benefits we expect from our investments in certain securities and investment products, and this may materially and adversely affect our business, financial condition, results of operations and prospects.***

We make investments in certain standardized capital instruments issued by financial institutions, including asset-backed securities in which the underlying assets are financing receivables related to financing transactions we facilitate. As of December 31, 2016 and September 30, 2017, we had long-term investments in the amount of

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RMB185.8 million (US\$27.9 million) and RMB141.5 million (US\$21.3 million), respectively, all of which were asset-backed securities issued by Jincheng Bank. We have also made short-term investments in wealth management products, which are primarily invested in various types of debt securities. As of December 31, 2016 and September 30, 2017, we had short-term investments of RMB106.0 million (US\$15.9 million) and RMB89.4 million (US\$13.4 million), respectively. We cannot assure you as to the return of such investments and we may need to recognize losses in connection with these investments, which may have a material adverse effect on our business, financial condition and results of operations.

***Uncertainties relating to the growth of the Chinese automotive and mobility markets in general, and the automotive finance industry in particular, could adversely affect our business and results of operations.***

We generate substantially all of our revenue from service fees for automotive financing facilitation services. As a result, the amount of revenue is affected by the development of the automotive and mobility industries, and in particular the automotive finance industry, in China. The long-term viability and prospects of various automotive financing models in China remain relatively untested. As such, demand for our solutions and services and our future results of operations will depend on numerous factors affecting the development of the automotive and automotive finance industries in China, which may be beyond our control. These factors include:

- the growth in car ownership and the rate of any such growth;
- changes in car buyer demographics, tastes and preferences;
- changing financing behavior of car buyers;
- the selection, price and popularity of cars offered by dealers and OEMs; and
- whether alternative channels or business models that better address the needs of car buyers emerge in China.

A general decline in the use of and demand for cars, or any failure by us to adapt our platform and maintain and improve the experience of various platform participants as to our solutions and services in response to new trends and requirements, may adversely affect our results of operations and business prospects.

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

Some local governmental authorities also issued regulations and relevant implementation rules in order to control urban traffic and the number of cars within particular urban areas. For example, local Beijing governmental authorities adopted regulations and relevant implementing rules in December 2010 to limit the total number of license plates issued to new car purchases in Beijing each year. Local Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2013. There are similar policies that restrict the issuance of new license plates in Shanghai, Tianjin, Hangzhou, Guiyang and Shenzhen. In

September 2013, the State Council released a plan for the prevention and remediation of air pollution, which requires large cities, such as Beijing, Shanghai and Guangzhou, to further restrict the number of motor vehicles. In October 2013, the Beijing government issued an additional regulation to limit the total number of vehicles in Beijing to no more than six million by the end of 2017. Such regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China's automotive and mobility industries, which in turn may have a material adverse impact on our business.

***Any significant disruption in our IT systems, including events beyond our control, could prevent us from offering our solutions and services or reduce their attractiveness and result in a loss of car buyers, financial institutions and other platform participants.***

In the event of a system outage, malfunction or data loss, our ability to provide services would be materially and adversely affected. The satisfactory performance, reliability and availability of our technology and our underlying network infrastructure are critical to our operations, user service, reputation and our ability to attract new and retain existing car buyers and financial institutions. Our IT systems infrastructure is currently deployed and our data is currently maintained through a customized cloud computing system. Our servers are housed at third-party data centers, and our operations depend on the service providers' ability to protect our systems in their facilities as well as their own systems against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm our systems, criminal acts and similar events, many of which may be beyond our control. Many of our mobile applications are also provided through third-party app stores and any disruptions to the services of these app stores may negatively affect the delivery of our mobile applications to users. Moreover, if our arrangement with these service providers are terminated or if there is a lapse of service or damage to their facilities or if the services are no longer cost-effective to us, we could experience interruptions in our solutions and service as well as delays and additional expense in arranging new automotive financing solutions for car buyers and to serve our other platform participants. Our ability to exchange information with financial institutions and obtain credit data from third parties could also be interrupted.

Any interruptions or delays in our service, whether as a result of third-party error, our error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with car buyers and financial institution and other platform participants and our reputation. We may not have sufficient capacity to recover all data and services lost in the event of an outage. These factors could prevent us from processing credit applications and other business operations, damage our brands and reputation, divert our employees' attention, reduce our revenue, subject us to liability and cause car buyers and financial institutions and other platform participants to abandon our solutions and services, any of which could adversely affect our business, financial condition and results of operations.

***Technology is a critical aspect in the efficient operation of our business, and if any of our systems contain undetected errors, or if we fail to effectively implement technology initiatives or anticipate future technology needs or demands, our operations may be materially and adversely affected.***

The efficient and reliable operation of our business depends on technology as well as our IT systems. Our systems, enterprise applications and software on which we depend for the operation of our business may contain programming errors or other defects that our internal testing did not detect. The occurrence of such undetected errors or defects in our systems and software could disrupt our operations, damage our reputation and detract from the experience of our users.

In addition, our future success depends on our ability to anticipate technology development trends and identify, develop and commercialize new technology initiatives in a timely and cost-effective manner in order to deliver services demanded by platform participants. However, we may fail to recruit, train and retain qualified research and development personnel, and there can be no assurance that we will be able to implement new technology initiatives effectively, or that we will be successful in anticipating new technology needs and

demands of our customers and of the market at large. Moreover, it may take an extended period of time for our new technologies and services to gain market acceptance, if at all. If we fail to effectively implement technology initiatives or anticipate future technology needs or demands, our operations may materially and adversely be affected.

***Misconducts and errors by our employees and third parties we collaborate with could harm our business and reputation.***

We are exposed to many types of operational risks, including the risk of misconduct and errors by our employees and third-party business partners that we collaborate with. Our business depends on our employees and third parties, such as dealers, financial institutions, sales agents and repossession agents, to interact with car buyers, process large numbers of transactions and support the collection process. We could be materially and adversely affected if transactions are improperly executed, if personal information was disclosed to unintended recipients or if an operational breakdown or failure in the processing of transactions occurred, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. It is not always possible to identify and deter misconduct or errors by employees or third-party business partners, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of our employees or third-party business partners take, convert or misuse funds, documents or data or fail to follow our rules and procedures when interacting with car buyers, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow our rules and procedures, and therefore be subject to civil or criminal liability. Any of these occurrences could result in our diminished ability to operate our business, potential liability to car buyers, inability to attract car buyers, reputational damage, regulatory intervention and financial harm, which could negatively impact our business, financial condition and results of operations.

***If we are unable to safeguard the security of the confidential information of car buyers, dealers or third parties we collaborate with and adapt to the relevant regulatory framework as to protection of such information, our business and operations may be adversely affected.***

We collect, store and process certain personal and other sensitive data from car buyers, dealers and other third parties, which makes us an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our system could cause confidential car buyer information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with car buyers, dealers and/or financial institutions could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

In addition, PRC government authorities have enacted a series of laws and regulations in regard of the protection of personal information, under which financial service providers are required to comply with the principles of legality, justification and necessity, to clearly indicate the purposes, methods and scope of any information collection and usage, and to obtain the consent of users, as well as to establish user information protection system with appropriate remedial measures. We obtain consents from car buyers on our platform to use their personal information within the scope of authorization and we have taken technical measures to ensure the security of such personal information and prevent the personal information from being divulged, damaged or

lost. Furthermore, pursuant to confidentiality provisions in our cooperation agreements with financial institutions, we have the obligation to safeguard car buyers' personal information and to only use such information within the authorized scope. We may face litigation brought by financial institutions or car buyers, if we fail to satisfy our confidentiality obligations in the relevant cooperation agreements, or if our use of car buyers' data fall outside of the scope of their authorization, as the case may be. Furthermore, there is uncertainty as to the interpretation and application of such laws which may be interpreted and applied in a manner inconsistent with our current policies and practices or require changes to the features of our system. There can be no assurance that our existing car buyer information protection system and technical measures will be considered sufficient under applicable laws and regulations. If we are unable to address any information protection concerns, or to comply with the then applicable laws and regulations, we may incur additional costs and liability and our reputation, business and operations might be adversely affected. See "Regulations—Regulations Related to Internet Information Security and Privacy Protection" for more details.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.***

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal control and procedures. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements for the year ended December 31, 2016, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2016, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States.

The material weakness identified relates to having an insufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training in application of U.S. GAAP and SEC rules and regulations commensurate with our reporting requirements. We have implemented and are continuing to implement a number of measures to address the material weakness and the deficiencies that have been identified. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, we cannot assure you that we will be able to continue implementing these measures in the future, or that we will not identify additional material weaknesses or significant deficiencies in the future.

We will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the [NYSE/NASDAQ] after the completion of this offering. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, [2019], we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. In addition, once we cease to be an "emerging growth company" as the term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures, and we were never required to test our internal controls within a specified period, and, as a result, we may experience difficulty in meeting these reporting

requirements in a timely manner. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting.

In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our ADSs could decline and we could be subject to sanctions or investigations by the [NYSE/NASDAQ], SEC or other regulatory authorities.

***We may not be able to prevent others from unauthorized use of our intellectual property and we may be subject to intellectual property infringement claims, either of which could harm our business and competitive position.***

We regard our trademarks, domain names, copyrights, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. See "Business—Intellectual Property." However, there can be no assurance that any of our intellectual property rights would not be challenged, invalidated or circumvented, or such intellectual property will be sufficient to provide us with competitive advantages. In addition, other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damage. Because of the rapid pace of technological change, there can be no assurance that all of our proprietary technologies and similar intellectual property will be patented in a timely or cost-effective manner, or at all. For example, we do not hold any patent relating to our credit assessment model. Furthermore, parts of our business rely on technologies developed or licensed by other parties, or co-developed with other parties, including open source software, and we may not be able to obtain or continue to obtain licenses and technologies from these other parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Meanwhile, we cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights held by other parties. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other parties' trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights that are infringed by our services or other aspects of our business without our awareness. Holders of such intellectual

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property rights may seek to enforce such intellectual property rights against us in China, the U.S. or other jurisdictions. If any infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

We currently use open source software in certain aspects of our platform and business operations, and we expect to continue to use open source software in the future. We may face claims from others claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our technologies, any of which would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to reengineer or discontinue our solutions or incur additional costs. We cannot be certain that we have incorporated open source software in our solutions in a manner that is consistent with our policies.

Additionally, the application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights in China are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

***We have not independently verified the accuracy or completeness of data, estimates, and projections in this prospectus that we obtained from third party sources, and such information involves assumptions and limitations.***

Certain facts, forecasts, and other statistics relating to the industries in which we compete contained in this prospectus, including the "Industry Overview" section, have been derived from various public data sources and a commissioned third-party industry report. In connection with this offering, we commissioned Oliver Wyman to conduct market research concerning the automotive market in China. While we generally believe such report to be reliable, we have not independently verified the accuracy or completeness of such information. Industry data and projections involve a number of assumptions and limitations. Our industry data and market share data should be interpreted in light of the defined industries in which we operate. Any discrepancy in the interpretation of such data could lead to different measurements and projections, and actual results could differ from the projections.

***As our business develops, we may be required to obtain license for providing value-added telecommunications services.***

The Telecommunications Regulations of the PRC, the Administrative Rules for Foreign Investment in Telecommunications Enterprises, the Guidance Catalogue of Industries for Foreign Investment (2017 Revision) and other relevant regulations on the operation of value-added telecommunication service business provide a license requirement for operating such business in the PRC. As we continually enrich the service offerings on our platform, we plan to engage in telecommunications-related businesses, including cloud-based SaaS solutions for dealers, in the future. However, we cannot assure you that we will be able to obtain the requisite license for providing value-added telecommunications services on a timely basis or at all. Our inability to obtain such license or any delay in obtaining such license could have a material and adverse impact on our business and results of operations.

***We are subject to risks relating to our leased properties.***

Currently all of our offices and vehicle storage warehouses are on leased premises. We may not be able to successfully extend or renew our leases upon expiration of the current terms on commercially reasonable terms

or at all, and may therefore be forced to relocate the relevant offices and warehouses. Such relocation could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we may not be able to locate desirable alternative sites for our offices and warehouses, and failure in relocating our affected operations could adversely affect our business and operations.

Pursuant to the Land Administration Law of the PRC, land in urban districts is owned by the state. The owner of a property built on state-owned land must possess the proper land and property title certificate to demonstrate that it is the owner of the premises and that it has the right to enter into lease contracts with the tenants or to authorize a third party to sublease the premises. We have entered into 40 lease agreements with parties who have not produced evidence of proper legal title of the premises. If such parties are not the owners of the premises, and the actual owners successfully challenge the validity of the relevant leases, we would be forced to relocate. Although we may seek damages from the counterparties to the lease agreements, there can be no assurance that we would be able to collect such damages.

***Our failure to fully comply with PRC labor-related laws may expose us to potential penalties.***

The PRC government has promulgated laws and regulations to enhance labor protections, such as the Labor Contract Law, the Social Insurance Law and the Regulations on the Administration of Housing Funds. Such laws and regulations require companies operating in China to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the relevant local government from time to time. The requirement of employee benefit plans has not been implemented consistently by the local authorities in China given the different levels of economic development in different locations. We did not pay, or were not able to pay, certain social insurance and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC. We may be required to make up the contributions for these plans as well as to pay late fees and fines, and our financial condition and results of operations may be adversely affected.

The use of employees of third-party labor dispatch agencies, who are known in China as “dispatched workers,” is mainly regulated by the Interim Provisions on Labor Dispatching, which was promulgated by the Ministry of Human Resources and Social Security in January 2014. It provides that an employer may use dispatched workers only for temporary, auxiliary or substitute positions, and shall strictly control the number of workers under labor dispatching arrangements. The number of dispatched workers used by an employer shall not exceed 10% of the total number of its employees. As of September 30, 2017, the number of dispatched workers in two of the subsidiaries of Shanghai Cango exceeded 10% of the total number of their employees. If the governmental authorities find us to be in violation of the relevant employment regulations, we may be subject to penalties and be required to reduce the number of dispatched workers. As a result, we may incur significant costs to find replacement for dispatched workers and experience disruptions in our operations. Furthermore, there can be no assurance that we will be able to find suitable employees to replace the dispatched workers. If we fail to comply within the time period specified by the labor authority, we may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

***Any failure by us or third parties we collaborate with to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations could damage our reputation, expose us to significant penalties, and decrease our revenues and profitability.***

We have implemented various policies and procedures in compliance with all applicable anti-money laundering and anti-terrorist financing laws and regulations, including internal controls and “know-your-customer” procedures, for preventing money laundering and terrorist financing. In addition, we rely on financial

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institutions to have their own appropriate anti-money laundering policies and procedures. Financial institutions we collaborate with are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the PBOC. We have adopted commercially reasonable procedures for monitoring financial institutions we collaborate with.

We have not been subject to fines or other penalties, or suffered business or other reputational harm, as a result of actual or alleged money laundering or terrorist financing activities in the past. However, our policies and procedures may not be completely effective in preventing other parties from using us or any financial institutions we collaborate with as a conduit for money laundering (including illegal cash operations) or terrorist financing without our knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and we could become subject to regulatory fines, sanctions, or legal enforcement, including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with us, all of which could have a material adverse effect on our financial condition and results of operations. Even if we and financial institutions we collaborate with comply with applicable anti-money laundering laws and regulations, we and these financial institutions may not be able to fully eliminate money laundering and other illegal or improper activities in light of their complexity and the secrecy of these activities. Any negative perception of the industry, such as that which may arise from any failure of other automotive financing solution facilitation service providers to detect or prevent money laundering activities, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established, and negatively impact our financial condition and results of operation.

***From time to time we may evaluate and potentially consummate strategic investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results.***

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our services, better serve car buyers, and enhance our competitive position. We currently own 50% equity interest in Shanghai Autohome. Upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary.

These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction, which may result in investment losses.

Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits including the failure to successfully further develop the acquired technology;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management’s time and resources from our normal daily operations and potential disruptions to our ongoing businesses;
- strain on our liquidity and capital resources;
- difficulties in executing intended business plans and achieving synergies from such strategic investments or acquisitions;

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- difficulties in maintaining uniform standards, controls, procedures and policies within the overall organization;
- difficulties in retaining relationships with existing dealers, financial institutions, car buyers, employees and other partners of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

Any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits.

***Our business depends on the continued efforts of our senior management. If one or more members of our senior management were unable or unwilling to continue in their present positions, our business may be severely disrupted.***

Our business operations depend on the continued services of our senior management, particularly the executive officers named in this prospectus. In particular, Mr. Xiaojun Zhang, our founder and chairman, and Mr. Jiayuan Lin, our founder and chief executive officer, are critical to the management of our business and operations and the development of our strategic direction. While we have provided various incentives to our management, there can be no assurance that we can continue to retain their services. If one or more members of our senior management were unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain qualified personnel. Any new executive we recruit may fail to develop or implement effective business strategies. In addition, although we have entered into confidentiality and non-competition agreements with our management, there is no assurance that any member of our management team will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

***Intense competition for employees and increases in labor costs in the PRC may adversely affect our business and results of operations.***

We believe our success depends on the efforts and talent of our employees, including sales and marketing, operations, risk management, research and development and finance personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled sales and marketing, operations, risk management, research and development and finance personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than us and may be able to offer more attractive terms of employment.

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In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve dealers, financial institutions, car buyers and other industry participants could diminish, resulting in a material adverse effect to our business.

The economy in China has experienced increases in inflation and labor costs in recent years. As a result, average wages in the PRC are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension insurance, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

***Our corporate actions will be substantially controlled by certain of our principal shareholders, who will have the ability to control or exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your ADSs and materially reduce the value of your investment.***

Pursuant to a voting agreement entered into among certain of our shareholders in March 2018, our co-founders Mr. Xiaojun Zhang and Mr. Jiayuan Lin jointly exercise approximately 53.2% of the aggregate voting power of our issued and outstanding share capital as of the date of this prospectus. The voting agreement terminates automatically upon the completion of this offering. Mr. Xiaojun Zhang and Mr. Jiayuan Lin will exercise approximately % and %, respectively, of the aggregate voting power of our issued and outstanding share capital immediately after this offering, assuming no exercise by the underwriters of options to purchase additional ADSs. As a result of the ownership concentration, these shareholders have the ability to control or exert significant influence over important corporate matters, investors may be prevented from affecting important corporate matters involving our company that require approval of shareholders, including:

- the composition of our board of directors and, through it, any determinations with respect to our operations, business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;
- our disposition of substantially all of our assets; and
- any change in control.

These actions may be taken even if they are opposed by our other shareholders, including the holders of the ADSs. Furthermore, this concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of the ADSs. As a result of the foregoing, the value of your investment could be materially reduced.

***We may not have sufficient insurance coverage.***

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Currently, we do not have enough business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our financial condition and results of operations.

***We are or may be subject to potential liability in connection with pending or threatened legal proceedings and other matters, which could adversely affect our business or financial results.***

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including breach of contract claims, anti-competition claims and other matters. Such proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome and merit of such proceedings, any such legal action could have an adverse impact on our business because of defense costs, negative publicity, diversion of management's attention and other factors. In addition, it is possible that an unfavorable resolution, including any judgment or settlement subjecting us to liability, of one or more legal or administrative proceedings, whether in the PRC or in another jurisdiction, could materially and adversely affect our business, financial position, results of operations or cash flows in a particular period or damage our reputation.

***We may be subject to product liability claims if people or properties are harmed by cars purchased through our platform.***

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

***A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business, financial condition and results of operations.***

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, financial condition and results of operations. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect consumers' demand for cars, car buyers' willingness to seek credit and financial institutions' ability and desire to fund financing transactions we facilitate. Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the U.S., Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and there are new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of China's economic growth since 2012, which may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the U.S. and China. There have also been concerns over unrest in North Korea, Ukraine, the Middle East and Africa, which have resulted in volatility in financial and other markets. There have also been concerns over the expected withdrawal of the United Kingdom from the European Union as well as the outcome of the United States presidential election in November 2016. There have also been concerns about the economic effect of the tensions in the relationship between China and surrounding Asian countries. If present Chinese and global economic uncertainties persist, we may have difficulty in obtaining financial institutions to fund financing transactions to car buyers. Adverse economic conditions could also reduce the number of quality car buyers seeking credit from us, as well as their ability to make payments. Should any of these situations occur, the amount of financing transactions facilitated to car buyers and our revenue will decline, and our business and financial condition will be negatively impacted. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

***Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.***

Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Our IT systems infrastructure is currently deployed and our data is currently maintained through a customized cloud computing system. Our servers are housed at third-party data centers. Such service provider may have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's Internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing number and variety of transactions on our platform. There can be no assurance that our data centers and the underlying Internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in Internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers which in turn, may affect our costs of data center services. If the prices we pay for data center services rise significantly, our results of operations may be adversely affected.

***We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.***

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services.

Our business could also be adversely affected by the effects of Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general.

**Risks Relating to Our Corporate Structure**

***We rely on contractual arrangements with our consolidated VIE and its shareholders to operate our business, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.***

We rely on contractual arrangements with our consolidated VIE and its shareholders to operate our business. For a description of these contractual arrangements, see "Our History and Corporate Structure—Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders." All of our revenue is attributed to our consolidated VIE. These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIE. If our consolidated VIE or its shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by our consolidated VIE is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in our consolidated VIE, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the U.S. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over our consolidated VIE, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. See “—Risks Relating to Doing Business in China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.”

***Any failure by our consolidated VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.***

We, through one of our subsidiaries and a wholly foreign-owned enterprise in the PRC, have entered into a series of contractual arrangements with our consolidated VIE and its shareholders. For a description of these contractual arrangements, see “Our History and Corporate Structure—Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders.” If our consolidated VIE or its shareholders fail to perform their respective obligations under these contractual arrangements, we may incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC laws. For example, if the shareholders of our consolidated VIE were to refuse to transfer their equity interests in the consolidated VIE to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the U.S. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final and parties cannot appeal arbitration results in court unless such rulings are revoked or determined unenforceable by a competent court. If the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our consolidated VIE and relevant rights and licenses held by it which we require in order to operate our business, and our ability to conduct our business may be negatively affected. See “—Risks Related to Doing Business in China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.”

***The shareholders of our consolidated VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

The interests of the shareholders of our consolidated VIE in their capacities as such shareholders may differ from the interests of our company as a whole, as what is in the best interests of our consolidated VIE, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our company. There can be no assurance that when conflicts of interest arise,

any or all of these shareholders will act in the best interests of our company or those conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause our consolidated VIE and its subsidiaries to breach or refuse to renew the existing contractual arrangements with us.

Currently, we do not have arrangements to address potential conflicts of interest the shareholders of our consolidated VIE may encounter, on one hand, and as a beneficial owner of our company, on the other hand. We, however, could, at all times, exercise our option under the exclusive option agreement to cause them to transfer all of their equity ownership in our consolidated VIE to a PRC entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of our consolidated VIE as provided under the power of attorney, directly appoint new directors of our consolidated VIE. We rely on the shareholders of our consolidated VIE to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our consolidated VIE, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***If the PRC government deems that the contractual arrangements in relation to our consolidated VIE do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.***

As we continually enrich the service offerings on our platform, we plan to engage in telecommunications-related businesses, including cloud-based SaaS solutions for dealers, in the future. The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related businesses. Specifically, foreign investors are generally not allowed to own more than a 50% equity interest in any PRC company engaging in value-added telecommunications businesses. The primary foreign investor must also have experience and a good track record in providing value-added telecommunications services, or VATS, overseas.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly foreign-owned enterprise in the PRC is a foreign-invested enterprise, or a FIE. Accordingly, our subsidiary is not eligible to operate VATS business in China. As we plan to operate VATS business in the future, we conduct our business in China through our consolidated VIE and its affiliates. Our PRC subsidiary has entered into a series of contractual arrangements with our consolidated VIE and its shareholders, which enable us to (i) exercise effective control over the consolidated VIE, (ii) receive substantially all of the economic benefits of the consolidated VIE, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in the consolidated VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of the consolidated VIE and hence consolidate its financial results as our consolidated VIE under U.S. GAAP. For a description of these contractual arrangements, see “Our History and Corporate Structure—Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders.”

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. Our PRC legal counsel, Fangda Partners, based on its understanding of the relevant laws and regulations, is of the opinion that each of the contracts among our wholly-owned PRC subsidiary, our consolidated VIE and its shareholders is valid, binding and enforceable in accordance with its terms. However, as

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there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, and the Telecommunications Regulations and the relevant regulatory measures concerning the telecommunications industry. There can be no assurance that the PRC government authorities, such as the MOFCOM or the MIIT, or other authorities that regulate SaaS solutions providers and other participants in the telecommunications industry, would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If our corporate structure and contractual arrangements are deemed by the MIIT or the MOFCOM or other regulators having competent authority to be illegal, either in whole or in part, we may lose control of our consolidated VIE and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down our services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our consolidated VIE's business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. See “—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition.” Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of our consolidated VIE or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of such VIE in our consolidated financial statements. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiary in China or our consolidated VIE or its subsidiaries. See “Our History and Corporate Structure—Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders.”

***Contractual arrangements in relation to our consolidated VIE may be subject to scrutiny by the PRC tax authorities and they may determine that our consolidated VIE owes additional taxes, which could negatively affect our financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The PRC enterprise income tax law requires every

enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our wholly-owned PRC subsidiary, our consolidated VIE and its shareholders were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, regulations and rules, and adjust their income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our wholly-owned PRC subsidiary or consolidated VIE for PRC tax purposes, which could in turn increase their tax liabilities without reducing their tax expenses. In addition, if our wholly-owned PRC subsidiary requests the shareholders of our consolidated VIE to transfer their equity interests in our consolidated VIE at nominal or no value pursuant to these contractual arrangements, such transfer could be viewed as a gift and subject the relevant subsidiary to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our PRC subsidiary and consolidated VIE for adjusted but unpaid taxes according to applicable regulations. Our financial position could be materially and adversely affected if the tax liabilities of our PRC subsidiary and consolidated VIE increase, or if they are required to pay late payment fees and other penalties.

***We may lose the ability to use and enjoy assets held by our consolidated VIE that are material to the operation of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.***

Our consolidated VIE holds substantially all of our assets. Under the contractual arrangements, our consolidated VIE may not and its shareholders may not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However, in the event that the shareholders of our consolidated VIE breach these contractual arrangements and voluntarily liquidate our consolidated VIE, or our consolidated VIE declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If our consolidated VIE undergoes a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

***If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.***

Under PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the SAIC. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops—corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial contracts. We use finance chops generally for making and collecting payments, including issuing invoices. Use of corporate chops and contract chops must be approved by our legal department and administrative department, and use of finance chops must be approved by our finance department. The chops of our subsidiary and consolidated VIE are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiary and consolidated VIE have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiary and consolidated VIE, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiary and consolidated VIE with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

***Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition.***

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft, substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the proposed legislation and the extent of revision to the currently proposed draft. The draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise, or a FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the MOFCOM as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the “restriction category” that could appear on any such “negative list.” In this connection, “control” is broadly defined in the draft law to cover any of the following summarized categories: (i) holding 50% or more of the voting rights or similar rights and interests of the subject entity; (ii) holding less than 50% of the voting rights or similar rights and interests of the subject entity but having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to materially influence the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

Once an entity is determined to be a FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” purported to be separately issued by the State Council in the future, market entry clearance by the MOFCOM or its local counterparts would be required.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to conduct business in the industries that are currently subject to foreign investment restrictions in China. Under the draft Foreign Investment Law, VIEs that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For any companies with a VIE structure in an industry category that is in the “restriction category” that could appear on any such “negative list,”

the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the VIEs will be treated as FIEs, in which case, the existing VIE structures will likely be scrutinized and subject to foreign investment restrictions and approval from the MOFCOM and other supervising authorities such as MIIT. Any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

However, there are significant uncertainties as to how the control status of our consolidated VIE would be determined under the enacted version of the Foreign Investment Law. In addition, it is uncertain whether any of the businesses that we currently operate or plan to operate in the future through our consolidated VIE would be on the to-be-issued “negative list” and therefore be subject to any foreign investment restrictions or prohibitions. If our consolidated VIE were deemed as a FIE under the enacted version of the Foreign Investment Law, and any of the businesses that we operate were in the “restricted” category on the to-be-issued “negative list,” such determination would materially and adversely affect the value of our ADSs. We also face uncertainties as to whether the enacted version of the Foreign Investment Law and the final “negative list” would mandate further actions, such as MOFCOM market entry clearance, to be completed by companies with existing VIE structure and whether such clearance can be timely obtained, or at all. If we were not considered as ultimately controlled by PRC domestic investors under the enacted version of the Foreign Investment Law, further actions required to be taken by us under the enacted Foreign Investment Law may materially and adversely affect our business and financial condition.

In addition, our corporate governance practice may be materially impacted and our compliance costs could increase if we were not considered as ultimately controlled by PRC domestic investors under the Foreign Investment Law, if enacted as currently proposed. For instance, the draft Foreign Investment Law as proposed purports to impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that would be required for each investment and alteration of investment specifics, an annual report would be mandatory, and large foreign investors meeting certain criteria would be required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations could potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible could be subject to criminal liabilities.

### **Risks Relating to Doing Business in China**

***Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.***

Substantially all of our operations are conducted in the PRC and all of our revenue is sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China’s economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

***There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.***

Substantially all of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiary and consolidated VIE are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

***The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering under a PRC regulation. The regulation also establishes more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.***

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, the SAIC, the CSRC, and the State Administration of Foreign Exchange, or the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities through acquisitions of PRC domestic companies or assets to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the

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CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC legal counsel, Fangda Partners, that the CSRC approval is not required in the context of this offering because (i) our wholly-owned PRC subsidiary was incorporated as a foreign-invested enterprise by means of foreign direct investments rather than by merger with or acquisition of any PRC domestic companies as defined under the M&A Rules, and (ii) there is no statutory provision that clearly classifies the contractual arrangement among our wholly-owned PRC subsidiary and our consolidated VIE and its shareholders as transactions regulated by the M&A Rules. There can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC legal counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this offering or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete this offering. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring us to obtain their approvals for this offering, we may be unable to obtain waivers of such approval requirements. Any uncertainties and/or negative publicity regarding such approval requirements could have a material adverse effect on the trading price of our ADSs.

These regulations also established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, the M&A rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See "Regulations—Regulations Related to M&A and Overseas Listings."

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.***

PRC residents are subject to restrictions and filing requirements when investing in offshore companies. The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by the SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." Pursuant to SAFE Circular 37, "control" refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

Mr. Xiaojun Zhang, Mr. Jiayuan Lin and several other beneficial owners of our ordinary shares have completed the SAFE registration pursuant to SAFE Circular 37 in 2018. We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation and other compliance obligations relating to offshore investment. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

***Any failure to comply with PRC regulations regarding our employee equity incentive plan may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

Pursuant to SAFE Circular 37, PRC residents who participate in equity incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and

other employees who are PRC residents and who will be granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. After our company becomes an overseas listed company upon completion of this offering, we and our directors, executive officers and other employees who are PRC residents and who have been granted options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We will make efforts to comply with these requirements upon completion of our initial public offering. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plan or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprise in China and limit our wholly-foreign owned enterprise's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

***We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.***

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from the consolidated VIE, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries or the consolidated VIE incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. Certain of our subsidiaries did not have any retained earnings available for distribution in the form of dividends as of September 30, 2017. In addition, registered capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of our consolidated VIE to make remittance to the wholly-foreign owned enterprise and on the ability of our subsidiaries to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

***We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.***

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered

PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

***Dividends paid to our foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax.***

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares or ADSs, and any gain realized from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax (which in the case of dividends may be withheld at source) at a rate of 20%. Any PRC tax liability may be reduced by an applicable tax treaty. However, if we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of our ADSs or ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends paid to our non-PRC investors, or gains from the transfer of our ADSs or ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our ADSs or ordinary shares may decline significantly.

***We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.***

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation, on December 10, 2009. Pursuant to this Bulletin 7, an “indirect transfer” of assets, including non-publicly traded equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise

income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (“SAT Circular 37”), which became effective on December 1, 2017, and SAT Circular 698 then was repealed with effect from December 1, 2017. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

There is uncertainty as to the application of Bulletin 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under Bulletin 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

***We are subject to restrictions on currency exchange.***

All of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiary or consolidated VIE. Currently, our PRC subsidiary may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a significant amount of our future revenue and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to

utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our ADSs, and may limit our ability to obtain foreign currency through debt or equity financing for our onshore subsidiary and consolidated VIE.

***PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiary and our consolidated VIE, or to make additional capital contributions to our PRC subsidiary.***

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, which is treated as a foreign-invested enterprise under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, or Circular 59, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our consolidated VIE and its subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated VIE and its subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our consolidated VIE and its subsidiaries.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to

future loans to our PRC subsidiary or any consolidated VIE or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary or consolidated VIE and its subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from this offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

All of our revenue and substantially all of our costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of Renminbi may materially and adversely affect our results of operations and financial position reported in Renminbi when translated into U.S. dollars, and the value of, and any dividends payable on, the ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

***The audit report included in this prospectus is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection.***

Our independent registered public accounting firm that issues the audit report included in our prospectus filed with the SEC, as auditors of companies that are traded publicly in the U.S. and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. Because our auditors are located in the People's Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

***If additional remedial measures are imposed on the "big four" PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging such firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.***

Starting in 2011, the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S. listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese accounting firms access to their audit work papers and related documents. The firms were, however, advised and directed that under Chinese law they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. In January 2014, the administrative law judge reached an initial decision to impose penalties on the firms including a temporary suspension of their right to practice before the SEC. The accounting firms filed a petition for review of the initial decision. On February 6, 2015, before a review by the commissioners of the SEC had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

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

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

## **Risks Relating to This Offering**

***There has been no public market for our shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.***

Prior to this offering, there has been no public market for our shares or ADSs. We will apply to list our ADSs representing ordinary shares on the [NYSE/NASDAQ]. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

Negotiations with the underwriters will determine the initial public offering price for our ADSs which may bear no relationship to their market price after the initial public offering. There can be no assurance that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

***The trading price of our ADSs may be volatile, which could result in substantial losses to you.***

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including technology companies and transaction service platforms, may affect the attitudes of investors toward Chinese companies listed in the U.S., which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the U.S., China and other jurisdictions in late 2008, early 2009, the second half of 2011 and in 2015, which may have a material and adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry;
- announcements of studies and reports relating to the quality of our credit offerings or those of our competitors;
- changes in the economic performance or market valuations of other transaction service platforms;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the markets for car buyers and for financing facilitation services;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;

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- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional ordinary shares or ADSs.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.***

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

***As our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$ \_\_\_\_\_ per ADS (assuming no exercise of outstanding options to acquire ordinary shares and no exercise of the underwriters' option to purchase additional ADSs), representing the difference between our pro forma net tangible book value per ADS of US\$ \_\_\_\_\_, as of \_\_\_\_\_, 2017, after giving effect to this offering. In addition, you will experience further dilution to the extent that our ordinary shares are issued upon the vesting of restrictive shares or exercise of share options under our equity incentive plan to be adopted prior to the completion of this offering. Ordinary shares issuable under our equity incentive plan may be issued at a purchase price on a per ADS basis that is less than the public offering price per ADS in this offering. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.

***Because we do not expect to pay cash dividends in the foreseeable future after this offering, you may not receive any return on your investment unless you sell your ordinary shares or ADSs for a price greater than that which you paid for them.***

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

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

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

Sales of our ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. Upon completion of this offering, we will have

ordinary shares outstanding, including ordinary shares represented by ADSs newly issued in connection with this offering, assuming the underwriters do not exercise their option to purchase additional ADSs. All ADSs representing our ordinary shares sold in this offering will be freely transferable by persons other than our “affiliates” without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. All of the other ordinary shares outstanding after this offering will be available for sale, upon the expiration of the lock-up periods described elsewhere in this prospectus beginning from the date of this prospectus (if applicable to such holder), subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. Any or all of these ordinary shares may be released prior to the expiration of the applicable lock-up period at the discretion of the designated representatives. To the extent shares are released before the expiration of the applicable lock-up period and sold into the market, the market price of our ADSs could decline significantly. See “Shares Eligible for Future Sale—Lock-up Agreements.”

Certain major holders of our ordinary shares after completion of this offering will have the right to cause us to register under the Securities Act the sale of their shares, subject to the applicable lock-up periods in connection with this offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

***You, as holders of ADSs, may have fewer rights than holders of our ordinary shares and must act through the depositary to exercise those rights.***

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under our amended and restated articles of association, the minimum notice period required to convene a general meeting will be 10 days. When a general meeting is convened, you may not receive sufficient notice of a shareholders’ meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but there can be no assurance that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders’ meeting.

***Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without your consent.***

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in a state or federal court in New York, New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. However, the depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement. Also, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended. See “Description of American Depositary Shares” for more information.

***Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.***

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

***You may not receive cash dividends if the depository decides it is impractical to make them available to you.***

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

***We will incur increased costs and become subject to additional regulations and requirements as a result of becoming a public company, which could lower our profits or make it more difficult to run our business.***

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and [NYSE/NASDAQ], impose various requirements on the corporate governance practices of public companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. In addition, once we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our

business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

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

***[Our amended and restated memorandum and articles of association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including ordinary shares represented by our ADSs, at a premium.***

We have adopted amended and restated articles of association to be effective immediately prior to the completion of this offering that contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.]

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are an exempted company incorporated under the laws of the Cayman Islands. Substantially all of our assets are located outside the United States. In addition, substantially all of our directors and executive officers and the experts named in this prospectus reside outside the United States, and most of their assets are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against them in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands, China or other relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforcement of Civil Liabilities."

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands.

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The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the U.S. In particular, the Cayman Islands have a less developed body of securities laws than the U.S. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

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

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the U.S. For a discussion of significant differences between the provisions of the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.”

### ***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the U.S. that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the [NYSE/NASDAQ]. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

### ***We are an emerging growth company and may take advantage of certain reduced reporting requirements.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth

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companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We will take advantage of the extended transition period. As a result of this election, our financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

### ***We may become a passive foreign investment company, or PFIC, which could result in adverse U.S. tax consequences to U.S. investors.***

Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the expected price of our ADSs in this offering), we do not believe we were a passive foreign investment company (a “PFIC”) for our most recent taxable year, and we do not expect to become a PFIC in the current taxable year or in the foreseeable future, although there can be no assurance in this regard.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the market value of our ADSs, a decrease in the price of our ADSs may also result in our becoming a PFIC.

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIE for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of our consolidated VIE. If it is determined, contrary to our view, that we do not own the equity of our consolidated VIE for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, our PFIC status could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under “Taxation—Certain United States Federal Income Tax Considerations.” For example, if we are or become a PFIC, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. See “Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company.” There can be no assurance that we will not be a PFIC for the current or any future taxable year.

### ***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the [NYSE/NASDAQ] corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the [NYSE/NASDAQ] corporate governance listing standards.***

We are a company incorporated in the Cayman Islands, and we will apply to list our ADSs on the [NYSE/NASDAQ]. The [NYSE/NASDAQ] market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the [NYSE/NASDAQ] corporate governance listing standards.

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For instance, we are not required to: (i) have a majority of the board be independent; (ii) have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; or (iii) have regularly scheduled executive sessions with only independent directors each year.

We intend to rely on some of these exemptions. As a result, you may not be provided with the benefits of certain corporate governance requirements of the [NYSE/NASDAQ].

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry” and “Business.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. The forward-looking statements included in this prospectus relate to, among others:

- our goal and strategies;
- our expansion plans;
- our future business development, financial condition and results of operations;
- our expectations regarding demand for, and market acceptance of, our solutions and services;
- our expectations regarding keeping and strengthening our relationships with dealers, financial institutions, car buyers and other platform participants; and
- general economic and business conditions.

This prospectus also contains market data relating to the automotive finance industry in China, including market position, market size, and growth rates of the markets in which we participate, that are based on industry publications and reports. This prospectus contains statistical data and estimates published by Oliver Wyman Consulting (Shanghai) Ltd, or Oliver Wyman, including a report which we commissioned Oliver Wyman to prepare and for which we paid a fee. This information involves a number of assumptions, estimates and limitations. These industry publications, surveys and forecasts generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Nothing in such data should be construed as advice. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The automotive finance industry in China may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we have referred to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$ , or approximately US\$ if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us and based upon an assumed initial offering price of US\$ per ADS (the mid-point of the estimated public offering price range shown on the front cover of this prospectus). A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS would increase (decrease) the net proceeds to us from this offering by US\$ , after deducting the estimated underwriting discounts and commissions and estimated aggregate offering expenses payable by us and assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus.

We plan to use the net proceeds of this offering as follows:

- for investment in research and development capabilities, and data and technology;
- for expansion our sales and marketing efforts;
- for capital injection into Shanghai Autohome to increase the amount of financing leases it is able to fund; and
- for general corporate purposes, including working capital needs and potential acquisitions (although we are not currently negotiating any such acquisitions).

The foregoing represents our intentions as of the date of this prospectus with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of the offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits.

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiary only through loans or capital contributions and to our consolidated VIE only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiary or make additional capital contributions to our PRC subsidiary to fund its capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. For further information, see “Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiary and our consolidated VIE, or to make additional capital contributions to our PRC subsidiary.”

## **DIVIDEND POLICY**

Since inception, we have not declared or paid any dividends on our shares. We do not have any present plan to pay any dividends on our ordinary shares or ADSs in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any other future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are an exempted company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we may rely on dividends distributed by our PRC subsidiaries. Certain payments from our PRC subsidiaries to us may be subject to PRC withholding income tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends.

## CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2017 presented on:

- an actual basis;
- a pro forma basis to reflect the automatic conversion of all our outstanding convertible preferred shares into 127,861,728 of our ordinary shares immediately upon the completion of this offering; and
- a pro forma as adjusted basis to give effect to (i) the automatic conversion of all our outstanding convertible preferred shares into 127,861,728 of our ordinary shares immediately upon the completion of this offering, and (ii) the issuance and sale of the ordinary shares in the form of ADSs offered hereby at an assumed initial public offering price of US\$                      per ADS, the mid-point of the estimated public offering price range shown on the front cover of this prospectus, after deducting underwriting discounts, commissions and estimated offering expenses payable by us and assuming no exercise of the underwriters' option to purchase additional ADSs.

The pro forma and pro forma as adjusted information below is illustrative only and our capitalization following the closing of this offering is subject to adjustment based on the initial public offering price of our ADSs and other terms of this offering determined at pricing. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2017					
	Actual		Pro Forma		Pro Forma as Adjusted	
	RMB	US\$	RMB	US\$	RMB	US\$
Total mezzanine equity	3,941,846	592,465	—	—		
Shareholders' equity:			(in thousands)			
Ordinary shares	83	12	168	25		
Series A-2 preferred shares	1	*	—	—		
Additional paid-in capital	4,100	616	2,639,272	396,686		
Accumulated (deficit)/Retained earnings	(2,746,292)	(412,771)	360,466	54,179		
Total Cango Inc.'s (deficit)/equity	(2,742,108)	(412,143)	2,999,907	450,890		
Non-controlling interests	30,848	4,637	30,848	4,637		
Total shareholders' (deficit)/equity	(2,711,259)	(407,506)	3,030,755	455,527		
Total capitalization	1,230,587	184,959	3,030,755	455,527		

\* Less than one thousand.

## DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares and holders of our convertible preferred shares which will automatically convert into our ordinary shares upon the completion of this offering.

Our net tangible book value as of September 30, 2017 was approximately US\$                      million, or US\$                      per ordinary share as of that date, and US\$                      per ADS. Net tangible book value represents the amount of our total consolidated assets, less the amount of our intangible assets, goodwill and total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share from our consolidated total assets, after giving effect to (i) the automatic conversion of all of our outstanding convertible preferred shares into ordinary shares immediately upon the completion of this offering and (ii) the issuance and sale by us of shares in the form of ADSs in this offering at an assumed initial public offering price of US\$                      per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in net tangible book value after September 30, 2017, other than to give effect to (i) the automatic conversion of all of our outstanding convertible preferred shares into ordinary shares immediately upon the completion of this offering and (ii) the issuance and sale by us of ordinary shares in the form of ADSs in this offering at an assumed initial public offering price of US\$                      per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2017 would have been US\$                      million, or US\$                      per outstanding ordinary share and US\$                      per ADS. This represents an immediate increase in net tangible book value of US\$                      per ordinary share and US\$                      per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$                      per ordinary share and US\$                      per ADS to investors purchasing ADSs in this offering.

The following table illustrates such dilution:

	<u>Per Ordinary Share</u>	<u>Per ADS</u>
	US\$	US\$
Actual net tangible book value per share as of September 30, 2017		
Pro forma net tangible book value per share after giving effect to the automatic conversion of all of our outstanding convertible preferred shares into ordinary shares		
Pro forma as adjusted net tangible book value per share after giving effect to (i) the automatic conversion of all of our outstanding convertible preferred shares into ordinary shares and (ii) this offering		
Assumed initial public offering price		
Dilution in net tangible book value per share to new investors in the offering		

The amount of dilution in net tangible book value to new investors in this offering set forth above is calculated by deducting (i) the pro forma net tangible book value after giving effect to the automatic conversion of our outstanding convertible preferred shares from (ii) the pro forma net tangible book value after giving effect to the automatic conversion of our convertible preferred shares and this offering.

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The following table summarizes, on a pro forma basis as of September 30, 2017, the differences between existing shareholders, including holders of our convertible preferred shares, and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Ordinary Shares Total		Total Consideration		US\$ Average Price per Ordinary Share Equivalent	Average Price per ADS
	Number	Percent	Amount	Percent		
Existing shareholders		%	US\$	%	US\$	US\$
New investors		%	US\$	%	US\$	US\$
Total		%	US\$	%		

A US\$1.00 increase (decrease) in the assumed public offering price of US\$ \_\_\_\_\_ per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) would increase (decrease) our pro forma net tangible book value after giving effect to the offering by US\$ \_\_\_\_\_ million, the pro forma net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$ \_\_\_\_\_ per ordinary share and US\$ \_\_\_\_\_ per ADS and the dilution in pro forma net tangible book value per ordinary share and per ADS to new investors in this offering by US\$ \_\_\_\_\_ per ordinary share and US\$ \_\_\_\_\_ per ADS, assuming no change to the number of ADS offered by us as set forth on the front cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The discussion and tables above take into consideration the automatic conversions of all of our outstanding convertible preferred shares immediately upon the completion of this offering, and they do not take into consideration of any outstanding share options. As of the date of this prospectus, there are also (i) \_\_\_\_\_ ordinary shares issuable upon exercise of outstanding share options, (ii) \_\_\_\_\_ ordinary shares available for future issuance upon the exercise of future grants under our equity incentive plan and (iii) shares issuable upon exercise of an option which allows Links Advance Holdings Limited, which is controlled by the company that operates Didi Chuxing, to purchase additional shares and hold up to 20% of our total outstanding shares, after giving effect to such purchase. If any of these options are exercised, there will be further dilution to new investors.

**EXCHANGE RATE INFORMATION**

Substantially all of our operations are conducted in the PRC and substantially all of our total revenue is denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.6533 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on September 29, 2017. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On March 16, 2018, the noon buying rate for Renminbi was RMB6.3300 to US\$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. For all dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

<b>Period</b>	<b>Noon Buying Rate</b>			
	<b>Period End</b>	<b>Average(1)</b>	<b>Low</b>	<b>High</b>
	<b>(RMB per US\$1.00)</b>			
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7349	6.8900	6.5063
September	6.6533	6.5690	6.6591	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.6385	6.5967
December	6.5063	6.5931	6.6210	6.5063
2018				
January	6.2841	6.4232	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March (through March 16)	6.3300	6.3297	6.3565	6.3093

Source: Federal Reserve Statistical Release

(1) Annual averages are calculated using the average of the rates on the last business day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

## ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a lesser extent. In addition, Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Substantially all of our operations are conducted in the PRC, and substantially all of our assets are located in the PRC. In addition, most of our directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in United States courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed Law Debenture Corporate Service Inc. as our agent to receive service of process with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, and Fangda Partners, our counsel as to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or the PRC would, respectively, (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States and (2) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under the civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation.

In addition, Conyers Dill & Pearman has advised us that there is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the Cayman Islands will generally recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (i) such courts had proper jurisdiction over the parties subject to such judgment; (ii) such courts did not contravene the rules of natural justice of the Cayman Islands; (iii) such judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public

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policy of the Cayman Islands; (v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (vi) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Fangda Partners has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. Fangda Partners has advised us further that under PRC law, a foreign judgment, which does not otherwise violate basic legal principles, state sovereignty, safety or social public interest, may be recognized and enforced by a PRC court, based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. As there existed no treaty and few other form of reciprocity between China and the United States governing the recognition and enforcement of judgments as of the date of this prospectus, including those predicated upon the liability provisions of the United States federal securities laws, there is uncertainty whether and on what basis a PRC court would enforce judgments rendered by United States courts.

## OUR HISTORY AND CORPORATE STRUCTURE

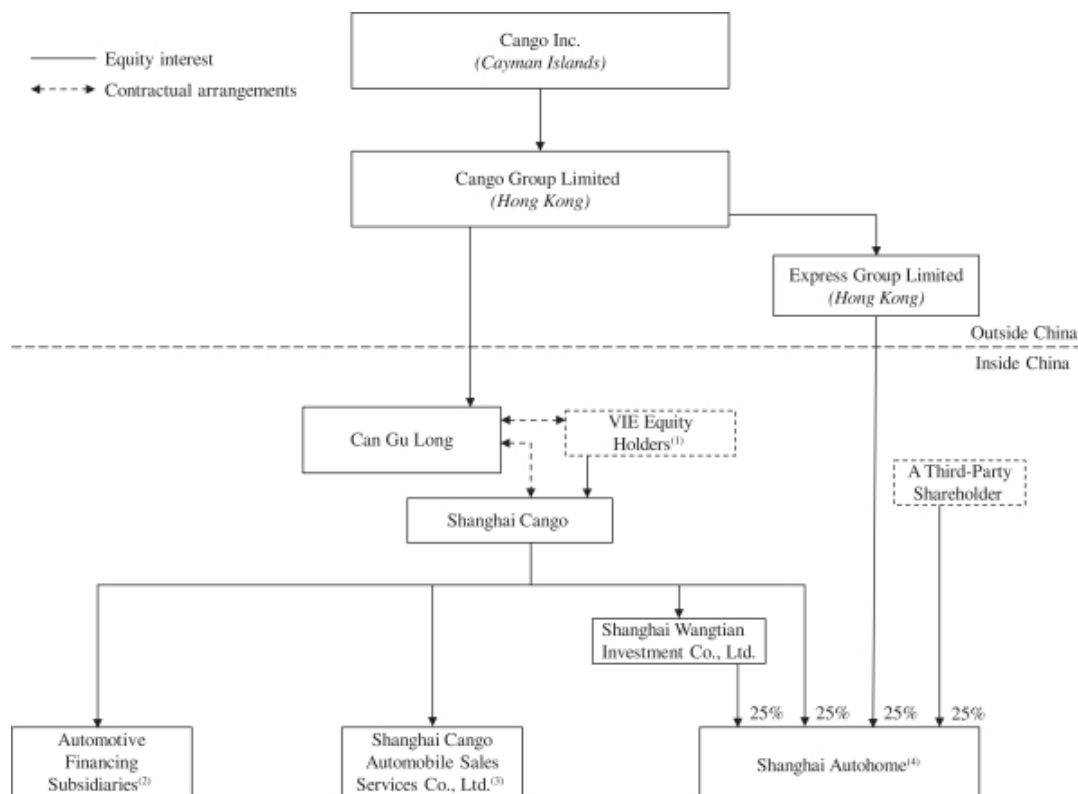
We began operations in August 2010 through Shanghai Cango, which was founded under the laws of the PRC by a group of pioneers who built the first automotive finance business in China, SAIC-GMAC Automotive Finance Co., Ltd. We initially focused on providing automotive financing solutions to car buyers by connecting them to dealers and financial institutions through our platform. As of September 30, 2017, our platform had served a total of 501,796 car buyers cumulatively, and our dealer network was comprised of 30,509 registered dealers. We have also established partnerships with several financial institutions over time, including Jincheng Bank, WeBank and Bank of Shanghai. Led by an experienced and visionary management team, we have extended our services beyond the facilitation of automotive financing transactions and identified new ways to strengthen our platform and serve our customers. We started to provide automotive transaction facilitation in 2015 and after-market services facilitation in 2017.

In October 2017, we incorporated Cango Inc. under the laws of the Cayman Islands, which has become our ultimate holding company, and subsequently, we established a wholly-owned subsidiary in Hong Kong, Cango Group Limited, to be our intermediate holding company. In January 2018, we established Can Gu Long as our wholly foreign owned subsidiary in China. Can Gu Long has entered into a series of contractual arrangements with Shanghai Cango and its shareholders, which allows us to exercise effective control over Shanghai Cango and receive substantially all the economic benefits of Shanghai Cango.

We have completed two rounds of equity financing since our inception. The first round of equity financing was completed in July 2017, and investors included Warburg Pincus and Primavera. The second round of equity financing was completed in January 2018, and investors included, among others, Tencent, Taikang Life Insurance and Didi Chuxing. These investors will also become shareholders of Cango Inc. prior to the completion of this offering.

**Our Corporate Structure**

The following diagram illustrates our corporate structure after giving effect to the Acquisition, which we expect to consummate prior to the completion of this offering. It omits certain entities that are immaterial to our results of operations, business and financial condition. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%. The relationships between each of Can Gu Long, Shanghai Cango and its shareholders as illustrated in this diagram are governed by contractual arrangements and do not constitute equity ownership.



- (1) Shanghai Wangjin Investment Management Co., Ltd. (controlled by Mr. Xiaojun Zhang), Mr. Jiayuan Lin, Warburg Pincus Financial Global Ltd., Tencent Mobility Limited, Shanghai Xiehuai Investment Management L.P. (of which Mr. Jiayuan Lin is the general partner), the Taikang Onshore Entities (including Taikang Life Insurance Co., Ltd. and Shandong Guokong Taikang Industrial Development Fund I L.P.) and Shanghai Huaiyuan Investment Management L.P. (of which Shouyan Xu is the general partner) respectively hold 15.6%, 15.8%, 21.1%, 12.5%, 8.4%, 6.3% and 5.2% of equity interests in Shanghai Cango. The remaining equity interests in Shanghai Cango are held by nine other shareholders. Each shareholder of Shanghai Cango is either an affiliate of or identical to a shareholder of Cango Inc. For information as to the principal shareholders of Cango Inc., see “Principal Shareholders.”
- (2) Includes 26 subsidiaries that are majority owned by Shanghai Cango. These subsidiaries are located in various cities across China and are primarily involved in providing automotive financing facilitation services to financial institutions and car buyers.
- (3) Primarily involved in the operation of our automobile trading platform “91HaoChe”.
- (4) Primarily involved in providing financing leases to car buyers. We currently own 50% equity interest in Shanghai Autohome. In September 2017, we entered into agreements in connection with the Acquisition, which we expect to consummate prior to the completion of this offering. Upon the completion of the

Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary.

### **Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders**

PRC laws and regulations currently restrict foreign ownership and investment in VATS in China. As we plan to engage in VATS businesses, including cloud-based SaaS solutions for dealers, in the future, we currently conduct our operations mainly through Shanghai Cango, or the consolidated VIE, and its subsidiaries. We effectively control the consolidated VIE through a series of contractual arrangements with the consolidated VIE, its shareholders and Can Gu Long, as described in more detail below, which collectively enables us to:

- exercise effective control over our consolidated VIE and its subsidiaries;
- receive substantially all the economic benefits of our consolidated VIE; and
- have an exclusive option to purchase all or part of the equity interests in the equity interest in or all or part of the assets of Shanghai Cango when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we are the primary beneficiary of Shanghai Cango and its subsidiaries. We have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP.

In the opinion of Fangda Partners, our PRC legal counsel:

- the ownership structures of Can Gu Long and our consolidated VIE in China, both currently and immediately after giving effect to this offering, do not and will not violate any applicable PRC law, regulation, or rule currently in effect; and
- the contractual arrangements among Can Gu Long, Shanghai Cango and its shareholders governed by PRC laws are valid, binding and enforceable in accordance with their terms and applicable PRC laws, rules, and regulations currently in effect, and will not violate any applicable PRC law, regulation, or rule currently in effect, except that the pledges in respect of Shanghai Cango's equity interests would not be deemed validly created until they are registered with the local administration of industry and commerce.

However, we have been further advised by our PRC legal counsel, Fangda Partners, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. In particular, in January 2015, the Ministry of Commerce, or the MOFCOM, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or a FIE. Under the draft Foreign Investment Law, VIEs would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not arrived at a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft may be signed into law, if at all, and whether any final version would have substantial changes from the draft. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors—Risks Relating to Our Corporate Structure."

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Can Gu Long, our consolidated VIE, Shanghai Cango, and its subsidiaries, and the shareholders of Shanghai Cango.

***Agreements that Provide Us with Effective Control over Our Consolidated VIE and Its Subsidiaries***

*Equity Interest Pledge Agreements.* Pursuant to the equity interest pledge agreements, each shareholder of Shanghai Cango, other than the Taikang Onshore Entities, has pledged all of such shareholder's equity interest in Shanghai Cango as a security interest, as applicable, to respectively guarantee Shanghai Cango and its shareholders' performance of their obligations under the relevant contractual arrangement, which include the exclusive business cooperation agreement, exclusive option agreement and power of attorney. We expect each of the Taikang Onshore Entities to execute the equity interest pledge agreements after their consultation with the regulatory authorities. If Shanghai Cango or any of its shareholders breaches their contractual obligations under these agreements, Can Gu Long, as pledgee, will be entitled to certain rights regarding the pledged equity interests. In the event of such breaches, Can Gu Long's rights include being paid in priority with the equity interest of Shanghai Cango based on the monetary valuation that such equity interest is converted into or from the proceeds from auction or sale of the equity interest. Each of the shareholders of Shanghai Cango agrees that, during the term of the equity interest pledge agreements, such shareholder shall not transfer the equity interest, place or permit the existence of any security interest or other encumbrance on the equity interest or any portion thereof, without the prior written consent of Can Gu Long, except for the performance of the relevant contractual agreement. Can Gu Long is entitled to receive dividends distributed on the equity interest of Shanghai Cango, and Shanghai Cango's shareholders may receive dividends distributed on the equity interest only with prior written consent of Can Gu Long. The equity interest pledge agreements remain effective until all obligations under the relevant contractual agreements have been fully performed and all secured indebtedness have been fully paid. We are in the process of registering the equity pledge with the relevant office of the administration for industry and commerce in accordance with the PRC Property Rights Law.

*Power of Attorney.* Pursuant to the power of attorney, each shareholder of Shanghai Cango has irrevocably authorized Can Gu Long to exercise the following rights relating to all equity interests held by such shareholder in Shanghai Cango during the term of the power of attorney: to act on behalf of such shareholder as its exclusive agent and attorney with respect to all matters concerning its shareholding in Shanghai Cango, including without limitation to: (1) attending shareholders' meetings of Shanghai Cango; (2) exercising all the shareholder's rights and shareholder's voting rights such shareholder is entitled to under the laws of China and Shanghai Cango's Articles of Association, including but not limited to the sale or transfer or pledge or disposition of its shareholding in part or in whole; and (3) designate and appoint on behalf of such shareholder the legal representative, the directors, supervisors, the chief executive officer and other senior management members of Shanghai Cango. During the period that such shareholders remains a shareholder of Shanghai Cango, the power of attorney shall be irrevocable and continuously effective and valid from the date of execution of the power of attorney.

***Agreement that Allow Us to Receive Economic Benefits from our Consolidated VIE and Its Subsidiaries***

*Exclusive Business Cooperation Agreement.* Under the exclusive business cooperation agreement, Shanghai Cango appoints Can Gu Long as its exclusive services provider to provide Shanghai Cango with comprehensive technical support, consulting services and other services during the term of the exclusive business cooperation agreement. In consideration of the services provided by Can Gu Long, Shanghai Cango shall pay Can Gu Long fees equal to 100% of the consolidated basis net income of Shanghai Cango, which equals the balance of the gross income less the costs of Shanghai Cango acceptable to Can Gu Long and Shanghai Cango. Can Gu Long shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of the exclusive business cooperation agreement. In addition, Shanghai Cango grants to Can Gu Long an irrevocable and exclusive option to purchase from Shanghai Cango, Shanghai Autohome and any other subsidiary controlled by Shanghai Cango, at Can Gu Long's sole discretion, any or all of the assets and business of Shanghai Cango, to the extent permitted under PRC law, at the lowest purchase price permitted by PRC law. Unless terminated in accordance with the provisions of the exclusive business cooperation agreement or terminated in writing by Can Gu Long, the exclusive cooperation agreement shall remain effective.

***Agreements that Provides Us with the Option to Purchase the Equity Interest in Shanghai Cango***

*Exclusive Option Agreement.* Pursuant to the exclusive option agreement, each of Shanghai Cango's shareholders have irrevocably granted Can Gu Long an irrevocable and exclusive right to purchase, or designate one or more persons agreed by the board of directors of Can Gu Long to purchase the equity interests in Shanghai Cango then held by its shareholders once or at multiple times at any time in part or in whole at Can Gu Long's sole and absolute discretion to the extent permitted by PRC law. The purchase price of the optioned interests shall be RMB100. If PRC law requires a minimum price higher than the aforesaid purchase price when Can Gu Long exercises equity interest purchase option, the minimum price regulated by PRC law shall be the purchase price. Shanghai Cango and its shareholders have agreed that, without Can Gu Long's prior written consent, Shanghai Cango shall not in any manner supplement, change or amend the articles of association of Shanghai Cango, increase or decrease its registered capital, change its structure of registered capital in other manners, sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Shanghai Cango held by such shareholders, or allow the encumbrance thereon, except for the interest placed in accordance with the equity interest pledge agreement and the power of attorney. Shanghai Cango's shareholders shall promptly donate any profit, interest, dividend or proceeds of liquidation to Can Gu Long or any other person designated by Can Gu Long to the extent permitted under applicable PRC laws. This agreement will remain effective until all equity interests of Shanghai Cango held by its shareholders have been transferred or assigned to Can Gu Long or its designated person(s).

**Financial Support Undertaking Letter**

We executed a financial support undertaking letter addressed to Shanghai Cango, pursuant to which we irrevocably undertake to provide unlimited financial support to Shanghai Cango to the extent permissible under the applicable laws and regulations of the Cayman Islands and the PRC, regardless of whether Shanghai Cango has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. We will not request repayment of any outstanding loans or borrowings from Shanghai Cango if it or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. Each letter is effective from the date of the other agreements entered into among Can Gu Long, Shanghai Cango and its shareholders until the date on which all of the equity interests of Shanghai Cango have been acquired by Can Gu Long or its designated representative(s).

We expect to provide the financial support if and when required with a portion of the proceeds from this offering and proceeds from the issuance of equity or debt securities in the future.

## SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected consolidated statements of comprehensive income for the year ended December 31, 2016 and selected consolidated balance sheet as of December 31, 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following selected consolidated statements of comprehensive income for the nine months ended September 30, 2016 and 2017 and selected consolidated balance sheet data as of September 30, 2017 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus.

Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements. Our historical results are not necessarily indicative of results to be expected for any future period. The following selected consolidated financial data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” both of which are included elsewhere in this prospectus.

### Selected Consolidated Statements of Comprehensive Income Data

	Year Ended		Nine Months Ended September 30,		
	December 31, 2016		2016		2017
	RMB	US\$	(unaudited)		(unaudited)
			RMB	RMB	US\$
	(in thousands, except for share and per share data)				
<b>Revenues</b>	434,280	65,273	205,320	740,876	111,355
<b>Operating cost and expenses:</b>					
Cost of revenue	170,044	25,558	98,851	202,565	30,446
Sales and marketing	39,537	5,942	23,279	92,324	13,876
General and administrative	34,550	5,193	22,747	43,450	6,531
Research and development	5,000	752	2,196	9,182	1,380
Net loss/(gain) on risk assurance liabilities	744	112	510	(37,641)	(5,657)
<b>Total operating cost and expenses</b>	<b>249,875</b>	<b>37,557</b>	<b>147,584</b>	<b>309,881</b>	<b>46,575</b>
<b>Income from operations</b>	<b>184,405</b>	<b>27,716</b>	<b>57,737</b>	<b>430,996</b>	<b>64,779</b>
Interest income	4,099	616	2,867	6,841	1,028
Income/(loss) from equity method investments	(9,988)	(1,501)	(7,821)	4,155	625
Interest expense	(450)	(68)	(203)	(10,013)	(1,505)
Foreign exchange loss, net	—	—	—	(24,345)	(3,659)
Other income	8,661	1,302	8,286	18,918	2,843
Other expenses	(232)	(35)	(169)	(283)	(42)
<b>Net income before income taxes</b>	<b>186,495</b>	<b>28,031</b>	<b>60,696</b>	<b>426,268</b>	<b>64,069</b>
Income tax expenses	53,014	7,968	20,136	107,031	16,087
<b>Net income</b>	<b>133,481</b>	<b>20,062</b>	<b>40,559</b>	<b>319,238</b>	<b>47,982</b>
Less: Net (loss)/income attributable to the non-controlling interests	4,575	688	(119)	13,106	1,970
<b>Net income attributable to Cango Inc.’s shareholders</b>	<b>128,906</b>	<b>19,375</b>	<b>40,679</b>	<b>306,132</b>	<b>46,012</b>

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	Year Ended		Nine Months Ended September 30,		
	December 31, 2016		2016	2017	
	RMB	US\$	(unaudited)	(unaudited)	US\$
(in thousands, except for share and per share data)					
<b>Earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholders:</b>					
Basic and diluted	0.51	0.08	0.16	1.21	0.18
<b>Weighted average shares used to compute earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholders:</b>					
Basic	127,149,202	127,149,202	127,149,202	127,149,202	127,149,202
Diluted	252,831,716	252,831,716	252,831,716	252,831,716	252,831,716

**Selected Consolidated Balance Sheet Data**

	As of December 31,		As of September 30,	
	2016		2017	
	RMB	US\$	RMB	US\$
(in thousands)				
Cash and cash equivalents	44,989	6,762	630,546	94,772
Short-term investments	106,000	15,932	89,390	13,435
Accounts receivable, net	469	70	166,856	25,079
Long-term investments	185,800	27,926	141,534	21,273
Equity method investments	70,803	10,642	164,960	24,794
Total assets	714,857	107,444	1,733,163	260,497
Short-term borrowings	—	—	92,680	13,930
Accrued expenses and other current liabilities	85,854	12,904	147,715	22,202
Risk assurance liabilities	149,788	22,513	79,312	11,921
Long-term borrowings	189,573	28,493	100,963	15,175
Total liabilities	503,769	75,717	502,577	75,538
Total mezzanine equity	3,941,846	592,465	3,941,846	592,465
Total shareholders' (deficit)/equity	(3,730,759)	(560,738)	(2,711,259)	(407,506)

[Table of Contents](#)**Our Key Operating Metrics**

We regularly review a number of metrics to evaluate our business, measure our performance, identify trends, formulate financial projections and make strategic decisions.

	As of / in the Three Months Ended						
	March 31	June 30	September 30	December 31	March 31	June 30	September 30
			2016			2017	
Number of registered dealers	4,554	9,338	12,827	16,035	20,079	24,870	30,509
Number of financing transactions facilitated	10,793	30,704	53,573	87,336	90,791	87,854	120,915

	As of / in the Three Months Ended							
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	
			2016			2017		
			RMB					
			(in millions)					
Outstanding principal of financing transactions facilitated	2,157	3,481	5,967	10,163	14,249	17,889	23,102	
Amount of financing transactions facilitated	613	1,692	3,024	5,004	5,372	5,350	7,551	

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes that appear in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in this prospectus, particularly in the section titled "Risk Factors."*

### Overview

We are a leading automotive transaction service platform in China connecting dealers, financial institutions, car buyers and other industry participants. According to the Oliver Wyman Report, we cover the largest number of new car dealers in China, and the outstanding balance of financing transactions we facilitated was the largest among automotive transaction service platforms in China as of September 30, 2017. As of September 30, 2017, our platform connected 30,509 registered dealers, five third-party financial institutions, 501,796 car buyers and 22 other industry participants including OEMs and online advertising platforms. Our platform model puts us in a unique position to add value for our platform participants and business partners as the mobility market in China continues to grow and evolve.

Our services primarily consist of: (1) automotive financing facilitation, (2) automotive transaction facilitation and (3) after-market service facilitation. We generate substantially all of our revenue from service fees for providing automotive financing facilitation, and to a lesser degree from service fees and other income from providing automotive transaction facilitation and after-market service facilitation.

We provide automotive financing facilitation services primarily by connecting financial institutions and car buyers, leveraging our vast dealer network. For car buyers, we offer automotive financing solutions, with funding either from third-party financial institutions or Shanghai Autohome, a provider of financing leases and our equity investee. We have established in-depth collaboration with a number of financial institutions, and we do not bear credit risk under our arrangement with one of such financial institutions. We facilitated the financing of 299,560 new and used car purchases with a total amount of financing transactions of RMB18.3 billion (US\$2.7 billion) in the nine months ended September 30, 2017, representing a year-on-year growth of 242.9% from RMB5.3 billion in the nine months ended September 30, 2016.

In the nine months ended September 30, 2017, we had revenue of RMB740.9 million (US\$111.4 million) and net income of RMB319.2 million (US\$48.0 million). In 2016, we had revenue of RMB434.3 million (US\$65.3 million) and net income of RMB133.5 million (US\$20.1 million).

### Key Factors Affecting Our Results of Operations

#### *Our Solution and Service Offerings and Pricing*

We facilitate automotive transactions for various participants in the automotive transaction value chain. Our revenue growth depends on our ability to improve existing solutions and services provided, continue identifying evolving business needs, refine our collaboration model with financial institutions and provide value-added services to platform participants. Our revenue growth also depends on our abilities to effectively price our solutions and services and monetize new business opportunities. We historically derived substantially all of our revenues from automotive financing facilitation services. As such, our financial performance depends in part on our ability to collaborate with financial institutions to offer automotive financing solutions that are attractive to prospective car buyers. The pricing of automotive financing solutions provided to car buyers are based on our recommendation to financial institutions, the internal strategies of financial institutions and market interest rates. Our ability to price our solutions and services competitively will enable us to attract car buyers, dealers and other industry participants and further grow our platform. Furthermore, our product designs affect the type of car buyers that our automotive financing solutions attract, which in turn affects our credit performance.

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We are in the process of expanding and monetizing automotive transaction facilitation and after-market services facilitation. We have started to take a proprietary inventory position of cars and sell such cars to dealers. We also facilitate the sale of insurance policies from insurance brokers and companies. Such business initiatives, and our ability to execute them, may affect the growth of our business and profitability. Since our new solution and service offerings may have different pricing strategies and cost structures, expansion of our business and changes to our revenue mix may affect our financial position and profitability.

Upon the completion of the Acquisition, we will also start to consolidate the results of operations of Shanghai Autohome and recognize financing lease income as part of our revenue. We may increase such financing lease offerings in the future.

### ***Car Buyer Engagement and Dealer Network***

Our revenue growth has been largely driven by the expansion of our car buyer base and the corresponding increase in the amount of automotive financing solutions facilitated through our platform. We engage car buyers primarily through our network of registered dealers. Our ability to expand our car buyer base depends on the size and quality of our network of registered dealers as well as our ability to expand such network nationwide in China. We plan to further expand our dealer network and strengthen our partnerships with existing dealers. A dealer may receive commissions from us or the relevant financial institution, depending on the arrangement among us, the dealer and the relevant financial institution. Commissions paid from us are recorded as our cost of revenue. Our costs related to car buyer engagement also consist of personnel costs of our direct sales team, which was comprised of over 1,300 professionals as of September 30, 2017 and is responsible for either directly managing our registered dealers or providing training and supervision to dealer financial managers employed by our registered dealers or sales agents. Our ability to deploy our direct sales team to manage our registered dealer network in a cost-efficient manner will affect our financial performance.

We also collaborate with leading online automotive advertising platforms to tap into the large user base of these platforms. Our success in such collaborations will affect our ability to broaden our prospective car buyer base through online channels in a cost-efficient manner.

### ***Ability to Retain Existing Financial Institutions and Engage New Financial Institutions***

The growth of our business is dependent on our ability to retain existing financial institutions we collaborate with and engage new financial institutions. We need to continue to provide high quality solutions and services to financial institutions, which will affect whether they will continue to fund automotive financing solutions facilitated through our platform. In addition, our collaborations with financial institutions may be affected by factors beyond our control, such as whether automotive financing solutions are perceived as an attractive asset class, operational disruption of our financial institutions, general economic conditions and the regulatory environment. Our ability to diversify our financial institution base will enhance the overall stability and sufficiency of funding to facilitate automotive financing transactions.

### ***Ability to Perform Credit Assessment and Delinquent Asset Management Effectively***

We historically derived substantially all of our revenues from automotive financing facilitation services, which primarily include credit origination, credit assessment, credit servicing and delinquent asset management for financial institutions. Although financial institutions have their own risk management procedures and make the ultimate decisions as to credit approvals, the default of an automotive transaction facilitated through our platform may still cause us reputational damage or direct economic loss, depending on the funding model for the relevant automotive financing solutions. The quality of our risk management efforts thus affects our results of operations.

Our arrangements with financial institutions differ as to the allocation of credit risk exposure. Changes to the mix of funding models for a particular period will have an impact on our financial position and results of

operations for such period. We are not obligated to bear credit risk for financing transactions funded by Jincheng Bank under the direct partnership model. Nonetheless, any increase in overdue ratio experienced by Jincheng Bank with respect to financing transactions facilitated through our platform may affect its willingness to participate on our platform. Under our arrangements with certain financial institutions, including the financial institutions with which we cooperate under the co-partnership model, we are obligated to purchase the relevant financing receivables from financial institutions upon certain specified events of default by car buyers. The proportion of financing transactions under such arrangement may increase in the future. As a result of the Acquisition, we will record financing lease receivables in relation to financing leases funded by Shanghai Autohome on our consolidated balance sheet. As such, we will bear credit risk as to such financing leases. We plan to expand the amount of financing leases provided by Shanghai Autohome, which will increase our exposure to credit risk.

After a delinquency occurs, we aim to collect repayments and/or repossess the car collateral from the car buyer. We rely on our delinquent asset management team to collect repayments and third-party repossession agents to repossess the car collateral at different stages of delinquent asset management process. Our ability to collect repayments and repossess car collaterals in a cost-effective way may affect our relationships with financial institutions and/or results of operations.

### ***Operating Leverage of Our Platform***

We operate a platform that connects the industry participants throughout the entire automotive transaction value chain, and our business model is highly scalable. Personnel costs have been and we expect will continue to be a large component of our operating cost and expenses. To maintain and improve the operating leverage of our platform we must manage to grow our business by increasing productivity and continuing automating our operations with technology.

### ***Market Conditions and Regulatory Environment in China***

The demand for our services is dependent upon overall market conditions in China. China's automotive industry, especially the automotive transaction industry and automotive finance industry, may be affected by, among other factors, the general economic conditions in China, the growth of disposable income as well as the availability and cost of credit available to finance car purchases. Car buyers have been increasingly willing to finance car purchases with debt. With the steady expansion of China's automotive industry, dealers, financial institutions, OEMs and other industry participants have been utilizing technology-enabled automotive transaction service platforms to solve their pain points and capture market opportunities. The growth of our business will depend in part of the continuation of these trends.

In addition, the regulatory environment for the automotive finance industry in China is developing and evolving, creating both challenges and opportunities that could affect our financial performance. For example, new regulations may restrict our ability to collaborate with financial institutions and/or directly charge fees from car buyers. We will continue to make efforts to ensure that we are compliant with the existing laws, regulations and governmental policies relating to our industry and to comply with new laws and regulations or changes under existing laws and regulations that may arise in the future. While new laws and regulations or changes to existing laws and regulations could make our business operations more difficult or expensive, or result in changes to our solutions and services offerings and hence our ability to price our solutions, these events could also provide new product and market opportunities.

### ***Ability to Compete Effectively***

Our business and results of operations depend on our ability to compete effectively. Overall, our competitive position may be affected by, among other things, our service quality and our ability to price our

solutions and services competitively. We will continue to invest in technologies to improve our service quality and user experience. We aim to enhance our speed for processing credit applications by refining our credit assessment model and improving the level of automation in credit assessment. As new competitors or new solutions and services emerges that compete with ours, we will need to continue to introduce new or enhance existing solutions and services to continue to attract dealers, financial institutions, car buyers and other industry participants. Whether and how quickly we can do so will have a significant impact on the growth of our business.

### Credit Performance

During the nine months ended September 30, 2017, the amount of financing transactions for which we are not obligated to bear credit risk was RMB15,576.9 million (US\$2,341.2 million), representing 85.2% of the total amount of financing transactions we facilitated. The remainder was funded by either (i) financial institutions from which we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers or (ii) our equity investee Shanghai Autohome, which will become our consolidated subsidiary upon the completion of the Acquisition.

We monitor credit performance based on M1+ overdue ratio and M3+ overdue ratio. We define “M1+ overdue ratio” as (i) exposure at risk relating to financing transactions for which any installment payment is 30 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal and accrued but unpaid interest that are 180 calendar days or more past due. We define “M3+ overdue ratio” as (i) exposure at risk relating to financing transactions for which any installment payment is 90 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal and accrued but unpaid interest that are 180 calendar days or more past due. Amounts which are 180 calendar days or more past due are deducted from exposure at risk, as such amounts are typically charged off by third-party financial institutions. However, the relevant financial institutions may follow charge-off policies that differ from such practice.

The table below sets forth M1+ overdue ratio and M3+ overdue ratio for all financing transactions which we facilitated and remained outstanding as of the specified dates.

	As of						
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
	(%)						
M1+ overdue ratio	4.45	2.25	1.34	0.80	0.70	0.61	0.61
M3+ overdue ratio	2.30	1.12	0.58	0.40	0.29	0.27	0.24

M1+ overdue ratio decreased from 4.45% as of March 31, 2016 to 0.61% as of September 31, 2017, and M3+ overdue ratio decreased from 2.30% as of March 31, 2016 to 0.24% as of September 30, 2017, which reflects improvement in our product designs, credit assessment capabilities and delinquent asset management capabilities.

### Risk Assurance Liabilities

Under our arrangements with certain financial institutions, including financial institutions with which we cooperate under the co-partnership model, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. After purchasing such financing receivables, security interest in the collateral is also transferred to us. We refer to our arrangement to purchase financing receivables from financial institutions as our risk assurance obligation. In 2016 and the nine months ended September 30, 2017, the amount of financing transactions funded by financial institutions under such arrangement was RMB771.5 million (US\$116.0 million) and RMB2.5 billion (US\$374.6 million), respectively, representing 7.5% and 13.6%

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of the total amount of financing transactions facilitated through our platform. The increase in financing transactions for which we have risk assurance obligation as a percentage of the total amount of financing transactions facilitated was due to the launch of co-partnership model in collaboration with WeBank in the third quarter of 2017. The proportion of financing transactions under such arrangement may further increase in the future.

We incur risk assurance liabilities in connection with our risk assurance obligation. The table below sets forth the movement of risk assurance liabilities in the periods presented.

	As of / in the Year Ended December 31, 2016		As of / in the Nine Months Ended September 30, 2017 (unaudited)	
	RMB	US\$	RMB	US\$
	(in thousands)			
Balance at the beginning of the year/(period)	170,765	25,666	149,788	22,513
Fair value of risk assurance liabilities upon the inception of new loans	31,960	4,804	35,335	5,311
Performed risk assurance liabilities	(53,680)	(8,068)	(68,170)	(10,246)
Net loss/(gain) on risk assurance liabilities	744	112	(37,641)	(5,657)
Balance at the closing of the year/(period)	<u>149,788</u>	<u>22,514</u>	<u>79,312</u>	<u>11,921</u>

Risk assurance liabilities consist of a non-contingent aspect and a contingent aspect. At the inception of each financing transaction for which we have risk assurance obligation, we recognize the non-contingent aspect at fair value, considering the premium required by a third-party market participant to issue the same risk assurance in a standalone transaction. The contingent aspect relates to the contingent loss arising from our risk assurance obligation. The service fees payable to us, net of risk assurance liabilities allocated from the consideration in connection with such financing transaction, are initially recognized as revenues.

When we perform our risk assurance obligation upon a car buyer's default, we record a corresponding deduction to risk assurance liabilities. Prior to the launch of co-partnership model, we primarily satisfied our risk assurance obligation to the relevant financial institutions by making installment payments on delinquent financing transactions. We also performed our risk assurance obligation through purchasing financing receivables, which were recorded at fair value. After the launch of co-partnership model in the third quarter of 2017, we expect to record additional financing receivables as we purchase such financing receivables upon certain specified events of car buyers' defaults. Upon repossession of a car, we derecognize the financing receivable and record the repossessed car at its estimated fair value, less cost to sell, as other non-current assets on the consolidated balance sheet.

The non-contingent aspect of risk assurance liabilities are reduced over the term of the arrangement, which we recognize as gain on risk assurance liabilities, as we are released from our risk assurance obligation on a loan-by-loan basis based on car buyers' repayments. The contingent aspect is recognized as loss on risk assurance liabilities when car buyer's default is probable and is measured as the future payout estimated using the historical default rates of a portfolio of similar loans. We recognized net loss on risk assurance liabilities of RMB743.9 thousand (US\$111.8 thousand) in 2016 due to higher than expected delinquency rates with respect to financing transactions for which we have risk assurance obligation. We recognized net gain on risk assurance liabilities of RMB37.6 million (US\$5.7 million) in the nine months ended September 30, 2017 due to improvement in credit quality of financing transactions for which we have risk assurance obligation.

## Components of Results of Operations

### Revenues

We historically derived substantially all of our revenues from automotive financing facilitation services. We receive service fees from financial institutions for providing credit origination, credit assessment and credit servicing services. The amount of such service fees is typically based on a percentage of the principal as specified in the cooperation agreement with the relevant financial institution. In addition, we receive service fees from financial institutions for providing delinquent asset management services. We also charge car buyers in certain circumstances for purchase facilitation services, such as registrations of license plates and collaterals with the relevant government authorities. In connection with our automotive transaction facilitation, we receive fees from dealers for providing logistics and warehousing services to facilitate automobile trading.

### Operating Cost and Expenses

Our operating cost and expenses consist of cost of revenue, sales and marketing expenses, general and administrative expenses, research and development expenses and net loss/(gain) on risk assurance liabilities. The following table sets forth our operating expenses, both in absolute amount and as a percentage of our revenues, for the periods presented:

	Year Ended December 31, 2016			Nine Months Ended September 30,					
				2016 (unaudited)		2017 (unaudited)			
	RMB	US\$	%	RMB	%	RMB	US\$	%	
(in thousands, except for percentages)									
<b>Operating cost and expenses:</b>									
Cost of revenue	170,044	25,558	39.2	98,851	48.1	202,565	30,446	27.3	
Sales and marketing	39,537	5,942	9.1	23,279	11.3	92,324	13,876	12.5	
General and administrative	34,550	5,193	8.0	22,747	11.1	43,450	6,531	5.9	
Research and development	5,000	752	1.2	2,196	1.1	9,182	1,380	1.2	
Net loss/(gain) on risk assurance liabilities	744	112	0.2	510	0.2	(37,641)	(5,657)	(5.1)	
<b>Total</b>	<b>249,875</b>	<b>37,557</b>	<b>57.5</b>	<b>147,584</b>	<b>71.9</b>	<b>309,881</b>	<b>46,576</b>	<b>41.8</b>	

### Cost of Revenue

Our cost of revenue consists of (i) commission paid to car dealerships, (ii) cost for staff responsible for risk management and delinquent asset management and incentive fee for our sales team and (iii) others. The following table sets forth components of our cost of revenue, both in absolute amount and as a percentage of our revenues, for the periods presented.

	Year Ended December 31, 2016			Nine Months Ended September 30,					
				2016 (unaudited)		2017 (unaudited)			
	RMB	US\$	%	RMB	%	RMB	US\$	%	
(in thousands, except for percentages)									
<b>Cost of revenue:</b>									
Commission paid to car dealerships	85,361	12,830	19.7	45,394	22.1	108,912	16,370	14.7	
Staff cost	27,197	4,088	6.3	16,043	7.8	32,120	4,828	4.3	
Others	57,486	8,640	13.2	37,414	18.2	61,533	9,248	8.3	
<b>Total</b>	<b>170,044</b>	<b>25,558</b>	<b>39.2</b>	<b>98,851</b>	<b>48.1</b>	<b>202,565</b>	<b>30,446</b>	<b>27.3</b>	

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Commission paid to car dealerships increased from RMB45.4 million in the nine months ended September 30, 2016 to RMB108.9 million (US\$16.4 million) in the same period in 2017 in connection with the increase in amount of financing transactions we facilitated. Commission paid to car dealerships as a percentage of our revenues decreased from 22.1% to 14.7% during the same period. The decrease was primarily due to economies of scale.

Staff cost includes compensation for employees responsible for risk management and delinquent asset management and incentive fee for our sales team. Staff cost increased from RMB16.0 million in the nine months ended September 30, 2016 to RMB32.1 million (US\$4.8 million) in the same period in 2017 due to (i) an expansion of our employees responsible for risk management and delinquent asset management and an increase in the average amount of compensation for such employees and (ii) higher incentive fees for sales representatives with strong performance. Staff cost as a percentage of our revenues decreased from 7.8% to 4.3% during the same period, primarily due to enhanced operational efficiency of employees responsible for risk management and delinquent asset management.

Cost for telematics devices increased from RMB18.9 million in the nine months ended September 30, 2016 to RMB31.3 million (US\$4.7 million) in the same period in 2017 due to the increase in amount of financing transactions we facilitated. Cost for telematics devices as a percentage of our revenues decreased from 9.2% to 4.2% during the same period, primarily due to a decrease in unit cost for telematics devices.

Other costs, which are primarily comprised of cost of telematics devices, cost for collection, outsourcing fees for third-party repossession agents as well as other ordinary course expenses, increased from RMB37.4 million in the nine months ended September 30, 2016 to RMB61.5 million (US\$9.2 million) in the same period in 2017, primarily due to the increase in the amount of financing transactions we facilitated. Other costs as a percentage of our revenues decreased from 18.2% to 8.3% during the same period, primarily due to economies of scale.

### *Sales and Marketing*

Sales and marketing expenses consist primarily of compensation related to our sales staff.

### *General and Administrative*

General and administrative expenses consist primarily of compensation related to accounting and finance, legal, human resources and other administrative personnel, as well as rent for office spaces related to various administrative activities.

### *Research and Development*

Research and development expenses consist primarily of compensation related to research and development personnel, depreciation and amortization of equipment and costs of data center services.

### *Net Loss/(Gain) on Risk Assurance Liabilities*

Risk assurance liabilities consist of a non-contingent aspect and a contingent aspect. At the inception of each financing transaction for which we have risk assurance obligation, we recognize the non-contingent aspect at fair value. The non-contingent aspect of risk assurance liabilities are reduced over the term of the arrangement, which we recognize as gain on risk assurance liabilities, as we are released from our risk assurance obligation on a loan-by-loan basis based on car buyers' repayments. The contingent aspect is recognized as loss on risk assurance liabilities when car buyer's default is probable and is measured as the future payout estimated using the historical default rates of a portfolio of similar loans.

## **Taxation**

### ***Cayman Islands***

We are an exempted company incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. In addition, upon payment of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

### ***Hong Kong***

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at a rate of 16.5%. No Hong Kong profit tax has been levied as we did not have assessable profit that was earned in or derived from the Hong Kong subsidiary during the periods presented. Hong Kong does not impose a withholding tax on dividends.

### ***China***

Generally, our subsidiary and consolidated variable interest entity in China are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 6% on the services we provide to customers, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority, in which case the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

## Results of Operations

The following tables set forth a summary of our consolidated results of operations for the periods presented, in absolute amount and as a percentage of our revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31, 2016			Nine Months Ended September 30,					
				2016 (unaudited)		2017 (unaudited)			
	RMB	US\$	%	RMB	%	RMB	US\$	%	
	(in thousands)								
<b>Revenues</b>	<b>434,280</b>	<b>65,273</b>	<b>100</b>	<b>205,320</b>	<b>100</b>	<b>740,876</b>	<b>111,355</b>	<b>100</b>	
<b>Operating cost and expenses:</b>									
Cost of revenue	170,044	25,558	39.2	98,851	48.1	202,565	30,446	27.3	
Sales and marketing	39,537	5,942	9.1	23,279	11.3	92,324	13,876	12.5	
General and administrative	34,550	5,193	8.0	22,747	11.1	43,450	6,531	5.9	
Research and development	5,000	752	1.2	2,196	1.1	9,182	1,380	1.2	
Net loss/(gain) on risk assurance liabilities	744	112	0.2	510	0.2	(37,641)	(5,657)	(5.1)	
<b>Total operating cost and expenses</b>	<b>249,875</b>	<b>37,557</b>	<b>57.5</b>	<b>147,584</b>	<b>71.9</b>	<b>309,881</b>	<b>46,575</b>	<b>41.8</b>	
<b>Income from operations</b>	<b>184,405</b>	<b>27,716</b>	<b>42.5</b>	<b>57,737</b>	<b>28.1</b>	<b>430,996</b>	<b>64,779</b>	<b>58.2</b>	
Interest income	4,099	616	0.9	2,867	1.4	6,841	1,028	0.9	
Income/(loss) from equity method investments	(9,988)	(1,501)	(2.3)	(7,821)	(3.8)	4,155	625	0.6	
Interest expense	(450)	(68)	(0.1)	(203)	(0.1)	(10,013)	(1,505)	(1.4)	
Foreign exchange loss, net	—	—	—	—	—	(24,345)	(3,659)	(3.3)	
Other income	8,661	1,302	2.0	8,286	4.0	18,918	2,843	2.6	
Other expenses	(232)	(35)	(0.1)	(169)	(0.1)	(283)	(42)	0.0	
<b>Net income before income taxes</b>	<b>186,495</b>	<b>28,031</b>	<b>42.9</b>	<b>60,696</b>	<b>29.6</b>	<b>426,268</b>	<b>64,069</b>	<b>57.5</b>	
Income tax expenses	53,014	7,968	12.2	20,136	9.8	107,031	16,087	14.4	
<b>Net income</b>	<b>133,481</b>	<b>20,062</b>	<b>30.7</b>	<b>40,559</b>	<b>19.8</b>	<b>319,238</b>	<b>47,982</b>	<b>43.1</b>	
Less: Net (loss)/income attributable to the non-controlling interests	4,575	688	1.1	(119)	(0.1)	13,106	1,970	1.8	
<b>Net income attributable to Cango Inc.'s shareholders</b>	<b>128,906</b>	<b>19,375</b>	<b>29.7</b>	<b>40,679</b>	<b>19.8</b>	<b>306,132</b>	<b>46,012</b>	<b>41.3</b>	

### Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

**Revenues.** Our revenues increased from RMB205.3 million in the nine months ended September 30, 2016 to RMB740.9 million (US\$111.4 million) in the same period in 2017 primarily due to the substantial increase in amount of financing transactions we facilitated from RMB5.3 billion in the nine months ended September 30, 2016 to RMB18.3 billion (US\$2.7 billion) in the same period in 2017. The increase in the amount of financing transactions we facilitated was primarily due to a substantial expansion of our dealer network, which enabled us to engage more car buyers. The number of registered dealers increased from 12,827 as of September 30, 2016 to 30,509 as of September 30, 2017. The increase in the amount of financing transactions we facilitated was also driven by our collaboration with more financial institutions, such as our collaboration with WeBank under the co-partnership model, which started in the third quarter of 2017.

**Operating cost and expenses.** Our total operating cost and expenses increased from RMB147.6 million in the nine months ended September 30, 2016 to RMB309.9 million (US\$46.6 million) in the same period in 2017,

primarily attributable to the increase in cost of revenue and sales and marketing expenses, partially offset by a net gain on risk assurance liabilities.

- *Cost of revenue.* Our cost of revenue increased from RMB98.9 million in the nine months ended September 30, 2016 to RMB202.6 million (US\$30.4 million) in the same period in 2017 in connection with the increase in amount of financing transactions we facilitated. Our cost of revenue as a percentage of our revenues decreased from 48.1% to 27.3% during the same period, primarily due to (i) enhanced operational efficiency of employees responsible for risk management and delinquent asset management, (ii) a decrease in unit cost for telematics devices and (iii) economies of scale.
- *Sales and marketing.* Our sales and marketing expenses increased from RMB23.3 million in the nine months ended September 30, 2016 to RMB92.3 million (US\$13.9 million) in the same period in 2017. The increase was primarily due to an increase in compensation for our sales staff, which in turn was driven by both an expansion of our sales team as a result of our effort to expand our dealer network and an increase in the average amount of compensation for sales staff. Our sales and marketing expenses as a percentage of our revenues increased from 11.3% to 12.5% during the same period, primarily as a result of increased sales staff headcount and compensation.
- *General and administrative.* Our general and administrative expenses increased from RMB22.7 million in the nine months ended September 30, 2016 to RMB43.4 million (US\$6.5 million) in the same period in 2017. The increase was primarily due to an increase in compensation for our administrative staff, which in turn was due to both an expansion in the number of our administrative staff and an increase in the average amount of compensation for administrative staff. Our general and administrative expenses as a percentage of our revenues decreased from 11.1% to 5.9% during the same period, primarily due to economies of scale.
- *Research and development.* Our research and development expenses increased from RMB2.2 million in the nine months ended September 30, 2016 to RMB9.2 million (US\$1.4 million) in the same period in 2017. The increase was primarily due to an increase in compensation for our research and development staff, which in turn was primarily driven by an expansion of our research and development staff and an increase in the average amount of compensation for research and development staff. Our research and development expenses as a percentage of our revenues increased slightly from 1.1% to 1.2% during the same period.
- *Net loss/(gain) on risk assurance liabilities.* We recognized net loss on risk assurance liabilities of RMB510.2 thousand (US\$76.7 thousand) in the nine months ended September 30, 2016 due to higher than expected delinquency rates with respect to financing transactions for which we have risk assurance obligation. We recognized net gain on risk assurance liabilities of RMB37.6 million (US\$5.7 million) in the nine months ended September 30, 2017 due to improvement in credit quality of financing transactions for which we have risk assurance obligation.

*Interest income.* We recognized interest income of RMB2.9 million in the nine months ended September 30, 2016 from cash and cash equivalents on our balance sheet. We recognized interest income of RMB6.8 million (US\$1.0 million) in the nine months ended September 30, 2017 from increased cash and equivalents on our balance sheet as a result of increased additional paid-in capital from shareholders.

*Income/(loss) from equity method investments.* We recognized a loss from equity method investments of RMB7.8 million in the nine months ended September 30, 2016 due to (i) the share of loss from our equity method investment in Shanghai Autohome and (ii) loss incurred for disposal of available-for-sale financial assets. We recognized a gain from equity method investments of RMB4.2 million (US\$624.5 thousand) in the nine months ended September 30, 2017 primarily due to gains from short-term investments.

*Interest expense.* We recognized interest expense of RMB203.0 thousand in the nine months ended September 30, 2016. We recognized interest expense of RMB10.0 million (US\$1.5 million) in the nine months ended September 30, 2017.

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*Foreign exchange gain/(loss), net.* We did not recognize any foreign exchange gain or loss in the nine months ended September 30, 2016. We recognized foreign exchange loss, net of RMB24.3 million (US\$3.7 million) in the same period in 2017, primarily due to depreciation of U.S. dollars against RMB, which affected our cash holdings from the additional paid-in capital denominated in U.S. dollars.

*Other income.* Our other income increased from RMB8.3 million in the nine months ended September 30, 2016 to RMB18.9 million (US\$2.8 million) in the same period in 2017, primarily due to an increase in the amount of government grants from RMB8.0 million in the nine months ended September 30, 2016 to RMB15.4 million (US\$2.3 million) in the same period in 2017.

*Income tax expenses.* Our income tax expenses increased from RMB20.1 million in the nine months ended September 30, 2016 to RMB107.0 million (US\$16.1 million) in the same period in 2017, primarily due to the increase in our taxable income.

*Net income.* As a result of the foregoing, our net income increased significantly from RMB40.6 million in the nine months ended September 30, 2016 to RMB319.2 million (US\$48.0 million) in the same period in 2017.

### **Liquidity and Capital Resources**

Our primary sources of liquidity have been issuance of equity securities, borrowings from trusts and banks and cash provided by operating activities, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements.

In 2016 and the nine months ended September 30, 2017, net cash provided by operating activities was RMB83.0 million (US\$12.5 million) and RMB302.1 million (US\$45.4 million), respectively.

As of September 30, 2017, we had cash and cash equivalents of approximately RMB630.5 million (US\$94.8 million), as compared to cash and cash equivalents of approximately RMB45.0 million (US\$6.8 million) as of December 31, 2016.

In December 2016, Shanghai Cango, our consolidated VIE, entered into a credit agreement with Tibet Trust Co., Ltd., which allows us to borrow up to RMB189.6 million (US\$28.5 million), subject to the actual amount of funds raised by the trust. The loan bears a fixed interest rate of 4.75% per annum and has a term of three years. As of September 30, 2017, the outstanding amount under such credit agreement was RMB67.2 million (US\$10.1 million). We utilized the proceeds from the borrowing to satisfy our working capital needs.

In March 2017, Shanghai Cango entered into another credit agreement with Tibet Trust Co., Ltd., which allows us to borrow up to RMB89.8 million (US\$13.5 million), subject to the actual amount of funds raised by the trust. The loan bears a fixed interest rate of 5.06% per annum and has a term of three years. As of September 30, 2017, the outstanding amount under such credit agreement was RMB33.8 million (US\$5.1 million). We utilized the proceeds from the borrowing to satisfy our working capital needs.

In May 2017, Shanghai Cango entered into a credit agreement with Lujiazui International Trust Co., Ltd., which allows us to borrow up to RMB70.0 million (US\$10.5 million). The loan bears a fixed interest rate of 5.50% per annum and has a term of one year. As of September 30, 2017, the outstanding amount under such credit agreement was RMB22.7 million (US\$3.4 million). We utilized the proceeds from the borrowing to satisfy our working capital needs.

In September 2017, Shanghai Cango entered into a credit agreement with Bank of Shanghai Co., Ltd., which allows us to borrow up to RMB115.6 million (US\$17.4 million). The loan bears a fixed interest rate of 4.35% per annum and has a term of one year. As of September 30, 2017, the outstanding amount under such credit agreement was RMB70.0 million (US\$10.5 million). We utilized the proceeds from the borrowing to satisfy our working capital needs.

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We believe that our anticipated cash flows from operating activities will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments, or if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. Our obligation to bear credit risk for certain financing transactions we facilitate may also strain our operating cash flow. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. See “Risk Factors—Risks Relating to Our Industry and Business—We may need additional capital to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.”

Our ability to manage our working capital, including receivables and other assets and accrued expenses and other liabilities, may materially affect our financial condition and results of operations.

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

	Year Ended		Nine Months Ended September 30,		
	December 31, 2016		2016	2017	
	RMB	US\$	(unaudited) RMB	(unaudited) RMB	(unaudited) US\$
	(in thousands)				
<b>Summary Consolidated Cash Flow Data:</b>					
Net cash provided by operating activities	83,027	12,479	676	302,138	45,412
Net cash used in investing activities	(272,039)	(40,888)	(32,654)	(132,823)	(19,964)
Net cash provided/(used) by financing activities	187,147	28,128	(1,226)	694,072	104,320
Cash, cash equivalents and restricted cash at beginning of the year/(period)	47,866	7,194	47,866	46,000	6,914
Cash, cash equivalents and restricted cash at end of the year/(period)	46,000	6,914	14,662	885,042	133,023

### *Operating Activities*

Net cash provided by operating activities was RMB302.1 million (US\$45.4 million) in the nine months ended September 30, 2017, primarily due to net income of RMB319.2 million (US\$48.0 million), adjusted for (i) investment income of short-term investments of RMB5.8 million (US\$0.9 million), (ii) share of gain from equity method investment of RMB4.2 million (US\$0.6 million) relating to Shanghai Autohome, (iii) foreign exchange loss, net of RMB24.3 million (US\$3.7 million), (iv) interest income, net of RMB6.7 million (US\$1.0 million) and (v) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) an increase in accounts receivable of RMB166.4 million (US\$25.0 million) relating to service fees from financial institutions due to substantial increase in amount of financing transactions funded, (ii) a decrease in risk assurance liabilities of RMB32.8 million (US\$4.9 million) primarily due to performance of our risk assurance obligation upon car buyers' defaults and (iii) an increase in other current and non-current assets of RMB9.9 million (US\$1.5 million), which was partially offset by (i) a decrease in receivables from related parties of RMB137.2 million (US\$20.6 million) relating to services fees from Jincheng Bank as Jincheng Bank ceased to be a related party since September 2017 and (ii) an increase in other current and non-current liabilities of RMB64.0 million (US\$9.6 million).

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Net cash provided by operating activities was RMB83.0 million (US\$12.5 million) in 2016, primarily due to net income of RMB133.5 million (US\$20.1 million), adjusted for (i) share-based compensation expense of RMB4.1 million (US\$0.6 million), (ii) share of loss from equity method investment of RMB10.0 million (US\$1.5 million), (iii) interest expense, net of RMB2.9 million (US\$0.4 million) and (iv) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) an increase in receivables from related parties of RMB138.6 million (US\$20.8 million) relating to increased services fees from Jincheng Bank and (ii) an increase in other current and non-current assets of RMB23.1 million (US\$3.5 million) primarily relating to an increase in prepaid expenses from certain customers and an increase in loans to shareholders, which was partially offset by an increase in other current and non-current liabilities of RMB113.6 million (US\$17.1 million) due to the increase of deposit by dealers with the expansion of our dealership network.

### ***Investing Activities***

Net cash used in investing activities was RMB132.8 million (US\$20.0 million) in the nine months ended September 30, 2017, which was primarily attributable to (i) purchase of short-term investments of RMB1,058.4 million (US\$159.1 million) in wealth management products which are primarily invested in various types of debt securities, (ii) purchase of long-term investments of RMB183.1 million (US\$27.5 million) relating to asset-backed securities issued by Jincheng Bank and (iii) purchase of equity method investment of RMB141.5 million (US\$21.3 million) relating to equity interest in Shanghai Autohome, which was partially offset by proceeds from redemption of short-term investments of RMB1,075.0 million (US\$161.6 million) due to maturity of such investments and (ii) proceeds from sale of long-term investments of RMB227.4 million (US\$34.2 million).

Net cash used in investing activities was RMB272.0 million (US\$40.9 million) in 2016, which was primarily attributable to (i) purchase of short-term investments of RMB295.5 million (US\$44.4 million) in wealth management products which are primarily invested in various types of debt securities and (ii) purchase of long-term investments of RMB185.8 million (US\$27.9 million) relating to asset-backed securities issued by Jincheng Bank, which was partially offset by proceeds from redemption of short-term investments of RMB204.5 million (US\$30.7 million) due to maturity of such investments.

### ***Financing Activities***

Net cash provided by financing activities was RMB694.1 million (US\$104.3 million) in the nine months ended September 30, 2017, which was primarily attributable to (i) contribution from shareholders of RMB698.7 million (US\$105.0 million) and (ii) proceeds from borrowings of RMB229.8 million (US\$34.5 million), which was partially offset by repayment of borrowings of RMB225.7 million (US\$33.9 million).

Net cash provided by financing activities was RMB187.1 million (US\$28.1 million) in 2016, which was primarily attributable to proceeds from borrowings of RMB189.6 million (US\$28.5 million).

### ***Capital Expenditures***

We made capital expenditures of RMB2.6 million (US\$0.4 million) and RMB8.2 million (US\$1.2 million) in 2016 and the nine months ended September 30, 2017, respectively. In these periods, our capital expenditures were mainly used for purchases of property and equipment and intangible assets. We will continue to make capital expenditures to meet the expected growth of our business.

## Commitments

The following table set forth our indebtedness and contractual obligations as of September 30, 2017:

	Total		Payment due by period			
			Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
	RMB	US\$	(in thousands)		RMB	
Long-term borrowings	112,416	16,896	4,900	107,515	—	—
Operating lease commitments	26,387	3,966	12,986	12,683	1,219	—
<b>Total</b>	<b>138,803</b>	<b>20,862</b>	<b>17,886</b>	<b>120,256</b>	<b>1,219</b>	<b>—</b>

## Off-Balance Sheet Arrangements

We have entered into several arrangements with financial institutions that provide funding directly to car buyers for financing transactions we facilitate. Under our arrangements with certain financial institutions, we are obligated to purchase the relevant financing receivables upon certain specified events of default by car buyers. As of September 30, 2017, risk assurance liabilities related to such arrangement were RMB79.3 million (US\$11.9 million). As of September 30, 2017, the maximum potential undiscounted future payment we would be required to make was RMB3,144.4 million (US\$472.6 million).

## Holding Company Structure

Cango Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiary, consolidated VIE and its subsidiaries in China. As a result, Cango Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiary. If our existing PRC subsidiary or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiary in China is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiary, our consolidated VIE and its subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, our wholly foreign-owned subsidiary in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our consolidated VIE and its subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiary has not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

## Inflation

Since inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2015, December 2016 and September 2017 were increases of 1.6%, 1.9% and 1.6%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

## Quantitative and Qualitative Disclosures about Market Risk

### Foreign Exchange Risk

All of our revenues and substantially all of our expenses are denominated in Renminbi. The functional currency of our company and Cango Group Limited is the U.S. dollar. The functional currency of our subsidiary

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in the PRC, the VIE and the VIE's subsidiaries is the Renminbi. We use Renminbi as our reporting currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations. Due to foreign currency translation adjustments, we do not have a foreign exchange loss, net, in 2016 but have a foreign exchange loss, net, of RMB24.3 million (US\$3.7 million) in the nine months ended September 30, 2017.

We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US\$                      million from this offering if the underwriters do not exercise their option to purchase additional ADSs, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, based on the initial offering price of US\$                      per ADS, the mid-point of the estimated range of the initial public offering price. Assuming that we convert the full amount of the net proceeds from this offering into Renminbi, a 10% appreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB                      for US\$1.00 as of                      , 2018 to a rate of RMB                      to US\$1.00, will result in an increase of RMB                      million in our net proceeds from this offering. Conversely, a 10% depreciation of the U.S. dollar against the Renminbi, from the exchange rate of RMB                      for US\$1.00 as of                      , 2018 to a rate of RMB                      to US\$1.00, will result in a decrease of RMB                      million in our net proceeds from this offering.

### **Interest Rate Risk**

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, we cannot provide assurance that we will not be exposed to material risks due to changes in market interest rate in the future.

After the completion of this offering, we may invest the net proceeds we receive from the offering in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

### **Critical Accounting Policies, Judgments and Estimates**

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

### **Revenue Recognition**

In accordance with ASC 605, *Revenue recognition* (“ASC 605”), we recognize revenue when the following four revenue recognition criteria are met:

- (i) persuasive evidence of an arrangement exists;
- (ii) services have been provided;
- (iii) the fee is fixed and determinable, and
- (iv) collectability is reasonably assured.

For each successful loan facilitation, we earn a loan facilitation fee and a recurring service fee for post-origination services, or POS, throughout the term of the loans. Borrowers make repayments directly to the financial institutions, and the financial institutions will then remit the loan facilitation fee and recurring service fee to us on a periodic basis. The two deliverables provided by us are loan facilitation and POS.

In addition, we provide risk assurance obligation to certain financial institutions which requires us to make either installment repayments and/or purchase the loans upon certain specified events of default by car buyers on an individual loan basis. We consider the loan facilitation services and the POS as a multiple element revenue arrangement, and the financial institutions as the sole customer in the arrangement. We first allocate the consideration to the risk assurance liability equaling to the fair value of the risk assurance liability. The remaining consideration is allocated to the loan facilitation services and POS.

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We do not have vendor specific objective evidence, or VSOE, of selling price for the loan facilitation services and POS because we do not provide loan facilitation services or POS on a standalone basis. There is also no third-party evidence of the prices charged by third-party service providers when such services are sold separately. As a result, we use our best estimate of selling prices of loan facilitation services and POS as the basis of revenue allocation. The amount allocated to the delivered loan facilitation services is limited to the amount that is not contingent on the delivery of the undelivered POS in accordance with ASC 605-25. As the remaining consideration from the revenue arrangement is contingent on the borrower's timely installment repayments to the financial institutions, the remaining loan facilitation service income is recorded when the contingency is resolved. The loan facilitation services and post-origination services are recorded as revenue in the consolidated statements of comprehensive income.

### ***Risk Assurance Liabilities***

We provide risk assurance to various financial institution customers. We are required to either make delinquent installment repayments or purchase the loans after a specified period on an individual loan basis. The risk assurance liabilities are exempted from being accounted for as derivatives in accordance with ASC 815-10-15-58.

The risk assurance liabilities consist of two components. Our obligation to stand ready to make delinquent payments or to purchase the loan over the term of the arrangement (the non-contingent aspect) is accounted for in accordance with *ASC 460 Guarantees* ("ASC 460"). The contingent obligation relating to the contingent loss arising from the arrangement is accounted for in accordance with *ASC 450 Contingencies* ("ASC 450"). At inception, we recognize the non-contingent aspect of the risk assurance liabilities at fair value, which considers the premium required by a third party market participant to issue the same risk assurance in a standalone transaction.

Subsequent to the initial recognition, the non-contingent aspect of the risk assurance liabilities are reduced over the term of the arrangement as we are released from our stand ready obligation on a loan-by-loan basis based on the borrower's repayment of the loan principal. The contingent loss arising from the obligation to make future payments is recognized when borrower default is probable and is measured as the future payout of the arrangement estimated using the historical default rates of a portfolio of similar loans.

### ***Income Taxes***

We account for income taxes using the liability approach and recognize deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the consolidated financial statements or in our tax returns. Deferred tax assets and liabilities are recognized on the basis of the temporary differences that exist between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements using enacted tax rates in effect for the year end period in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in earnings. Deferred tax assets are reduced by a valuation allowance through a charge to income tax expense when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies. The components of the deferred tax assets and liabilities are classified as non-current.

We account for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of the benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained (defined as a likelihood of more than fifty percent of being sustained upon an audit, based on the technical merits of the tax position), the tax position is then assessed to determine the amount of benefits to recognize in the consolidated financial statements. The amount of the benefits that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. We did not recognize any income tax due to uncertain tax

position or incur any interest and penalties related to potential underpaid income tax expenses for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively.

### **Share-Based Compensation**

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument. We recognize the compensation costs net of estimated forfeitures using the straight-line method, over the applicable vesting period for each separately vesting portion of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

We granted fully vested equity interests in our subsidiaries in an aggregate amount of RMB4,000,000 of registered capital to sales and marketing employees in recognition of their services to our company in 2016. In accordance with ASC Topic 718 Share based payments, we recorded share-based compensation expense on the grant date of the equity interests to our employees equal to the estimated fair value of such equity interests at the measurement date, which was determined to be RMB4,100,000 for 2016. The share-based compensation expense was recorded in sales and marketing expenses on the consolidated statements of comprehensive income.

### **Internal Control Over Financial Reporting**

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control and procedures over financial reporting. In the course of auditing our consolidated financial statements for the year ended December 31, 2016, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2016. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to having an insufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training in application of U.S. GAAP and SEC rules and regulations commensurate with our reporting requirements. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. We and they are required to do so only after we become a public company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To remedy our identified material weakness subsequent to December 31, 2016, we have started adopting measures to improve our internal control over financial reporting, including, among others: (i) hiring additional financial professionals with U.S. GAAP reporting experience to provide the necessary level of leadership to our finance and accounting function and increasing the number of qualified financial reporting personnel, (ii) improving the capabilities of existing financial reporting personnel through training and education in the accounting and reporting requirements under U.S. GAAP, SEC rules and regulations and the Sarbanes-Oxley Act, and (iii) engaging an independent third-party consultant to assist in establishing processes and oversight measures to comply with the requirements under the Sarbanes-Oxley Act.

However, we cannot assure you that we will remediate our material weakness in a timely manner. See “Risk Factors—Risks Relating to Our Industry and Business—If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.”

As a company with less than US\$1,070,000,000 in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of

specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We will take advantage of the extended transition period. As a result of this election, our financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standard Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP.

The core principle of the guidance is that an entity should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In August 2015, the FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amendments in this ASU are effective for private companies annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. As an "emerging growth company," or EGC, we have elected to take advantage of the extended transition period provided in the Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*. The amendments require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instruments-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This updated guidance is effective for private companies for the annual period beginning after December 15, 2018, including interim periods within the year. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU modifies existing guidance for off-balance sheet treatment of a lessees' operating leases by requiring lessees to recognize lease

assets and lease liabilities, whilst, lessor accounting is largely unchanged. This ASU is effective for private companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815)*, which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU is required to assess the embedded call (put) options solely in accordance with the four step decision sequence. For private entities, the amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. An entity should apply the amendments in this ASU on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. For private entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of our portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. For private entities, this ASU is effective for annual periods beginning after December 15, 2020, and interim reporting periods beginning within annual reporting periods beginning after December 15, 2021. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of our portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. All entities may adopt the

amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU do not provide a definition of restricted cash or restricted cash equivalents. This ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We have early adopted this standard.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying Definition of a Business*. This ASU clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We do not believe this standard will have a material impact on the consolidated statements of comprehensive income or balance sheets.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment by eliminating step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, as opposed to determining an implied fair value in step two to measure the impairment loss. The guidance is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual and interim goodwill impairment testing dates on or after January 1, 2017. The guidance should be applied on a prospective basis. We do not believe this standard will have a material impact on the results of operations or financial condition.

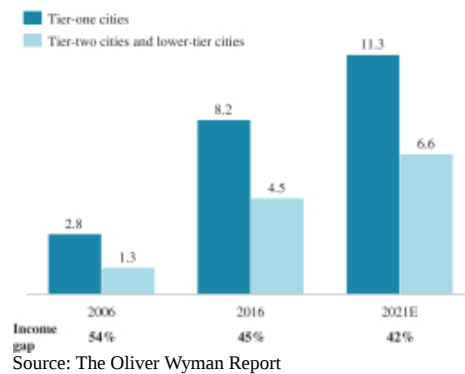
In February 2017, the FASB issued ASU No. 2017-05, *Other income—Gains and Losses from the Derecognition of Nonfinancial assets*, which clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments in this update also clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. This update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. As an EGC, we have elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. We are in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

## INDUSTRY OVERVIEW

### Background

China's economy has entered into an era of "new norm" whereby the economy is reorienting itself towards consumer spending. According to the Oliver Wyman Report, the real consumption accounts for only 39% of China's GDP in 2016, compared to over 55% in major developed countries, indicating considerable consumption growth potential. Growth in consumer spending has been uneven within the country, with rural areas growing at faster rates than urban areas. Disposable income per capita for China's urban population has grown at a CAGR of 9% from 2011 to 2016, compared to a CAGR of 12% in rural areas, according to the Oliver Wyman Report. Tier-two cities and lower-tier cities are expected to experience a higher rate of consumption growth compared to tier-one cities. The chart below illustrates the fast pace at which tier-two cities and lower-tier cities are projected to catch up with tier-one cities in terms of disposal income per capita.

Disposable income per capita by tier of cities  
(in US\$ thousands)



### Overview of China's Automotive Market

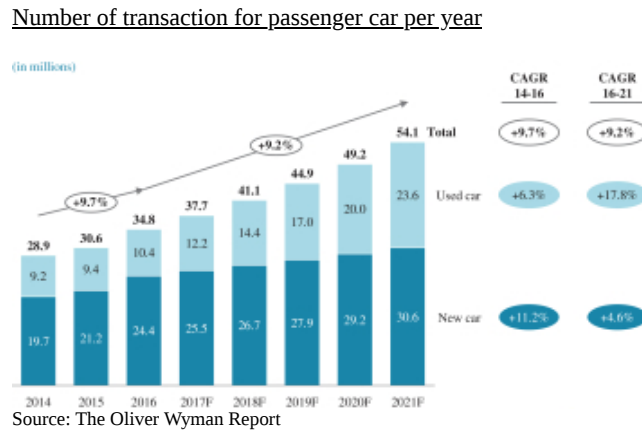
The growth of China's automotive market is mainly driven by the rising income level of Chinese residents. According to the Oliver Wyman Report, passenger car sales in China reached 34.8 million in 2016, 24.4 million, or 70%, of which were new passenger cars. The new passenger car market has been growing at a faster rate than the overall automotive market. While China's automotive market has experienced a golden decade of expansion, China still lags in average passenger car per capita. By 2016, the average number of passenger car per capita of China was only 0.11, while the average number in major developed countries was over 0.4, according to the Oliver Wyman Report. Growth in new passenger car sales was also fueled by the sale of domestic brand cars, which increased from 29% for all new passenger car transactions in 2014 to 34% in 2016, according to the Oliver Wyman Report.

The new passenger car market is expected to grow at CAGR of 4.6% from 2016 to 2021 according to the Oliver Wyman Report, and the unlocked demand in lower-tier cities is the main driving force behind such growth. In terms of the number of cars sold, the new passenger car market in lower-tier cities is expected to grow at a CAGR of 5.8% from 2016 to 2021, compared to -3.0% in tier-one cities and 2.6% in tier-two cities, according to the Oliver Wyman Report. The contraction of the new passenger car market in tier-one cities is primarily due to market saturation and/or restrictions on license plate registration imposed by local governments.

As a result, the lower-tier cities are expected to account for an increasing share in the number of new passenger cars sold. In addition, the used passenger car market in China is expected to experience faster growth compared to the new passenger car market. The number of used passenger car sales was 10.4 million in 2016 and is projected to reach about 23.6 million in 2021 at a CAGR of 17.8% according to the Oliver Wyman Report.

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The chart below illustrates the historical and expected growth in new passenger car transactions and used passenger car transactions for the years presented.



In terms of the entire automotive value chain, vehicle parts, vehicle manufacture, new car sales, used car sales, after-market service and automotive finance are the major components. For each component of the automotive chain, the size for passenger cars related market in 2016 is shown in the chart below.

Current passenger car market revenue by value chain component

	Sub-sector	Indicator	2016 market size (approximate amounts, in RMB trillions)
	Vehicle parts	• Total revenue	3
	Vehicle manufacturing	• Total revenue <sup>1</sup>	3.2
	New car sales	• Total value of car sold	2.8
	Used car sales	• Total value of car sold	0.7
	After-market service	• Total revenue	0.8
	Auto finance	• New loan issued (transaction volume)	0.7-0.75

1. Total revenue of passenger car manufacturing, including raw material/vehicle parts  
Source: The Oliver Wyman Report

Automotive transaction service platform is defined as platform that connects OEMs, dealers, automotive finance providers and after-market participants. Its services can be classified into three main categories: automotive financing facilitation, automotive transaction facilitation and after-market service facilitation.

**Customers Served by Automotive Transaction Service Platforms**

Customers served by automotive transaction service platforms may include OEMs, dealers, automotive finance providers and after-market service participants.

## OEMs

The domestic passenger car market has been growing rapidly and outpaced the overall market growth in the past years, with the total number of new passenger car transactions growing at a CAGR of 11.2% from 2014 to 2016 and reaching 24.4 million in 2016. In line with the market expansion, domestic OEMs have grown significantly, and they are looking to expand their distribution networks throughout China. Despite the rapid growth that domestic OEMs experienced in the past few years, there are several pain points, which have hindered their expansion to some extent, such as insufficient dealer network to cover the broad market and lack of automotive finance capabilities. A significant portion of domestic passenger cars are sold in lower-tier cities. However, it is very difficult for the domestic OEMs to cover these cities with their own limited dealer network. Furthermore, only a few domestic OEMs have established their automotive finance companies. As many domestic OEMs lack the required financing capabilities, such as risk management and access to funding, they are not yet able to fully capture the automotive finance opportunities and thus need collaboration from third parties.

## Dealers

Dealers play an important role in the automotive transaction process given their reach to car buyers as well as their ability to source cars from OEMs and distributors. According to the Oliver Wyman report, there are around 109,000 dealers in China, including 4S dealers and non-4S dealers.

**4S dealers.** 4S dealers are the most common service terminals of automotive distribution, including vehicle sales (sale), spare parts (spare part), after-sales service (service) and information feedback (survey). Tier-one and tier-two cities have a higher density of 4S dealers compared to lower-tier cities. Nonetheless, the 4S model has begun to penetrate the lower-tier cities. Lower-tier cities far exceed tier-one and tier-two cities in terms of the absolute number of 4S dealers and account for more than 80% of the total number of 4S dealers.

**Non-4S dealers:** Non-4S dealers are secondary dealers, such as 2S dealers, who provide only “sale” and “service”, but not functions such as “spare part” or “survey.” While services provided by 2S dealers are limited in scope, such dealer can be established without requiring a large floor space. As a result, the 2S model tends to be popular among dealers in the lower-tier cities. 2S dealers can also sell multiple brands (including new car and used car) and enjoy a significant level of flexibility.

The below table sets forth the breakdown of the approximate number of 4S and non-4S dealers in tier-one and tier-two cities and lower-tier cities.

Type of Dealers	Tier-one and Tier-two Cities	Lower-tier Cities	Total
4S Dealers	6,000 6%	20,000 18%	26,000 24%
Non-4S Dealers	19,000 17%	64,000 59%	83,000 76%
Total	25,000 23%	84,000 77%	109,000 100%

Source: The Oliver Wyman Report

## Automotive Finance Providers

Major players in the retail automotive finance market include banks, automotive finance companies and leasing companies. Banks provide automotive loans or enable car buyers to purchase cars with their credit cards. Banks generally access car buyers through their branch networks and operate with low cost of capital, but they typically implement rigid standards and onerous procedures for credit assessment. Most of the automotive finance companies are affiliated with OEMs to provide automotive loans, and each of them typically finances only a limited number of car models. Financing lease companies offer car buyers financing leases, usually with a high degree of flexibility in terms of sizes of down payment and other financing terms.

**After-market Service Participants**

Various players participate in the automotive after-market services market, and such players are comprised of service providers for car maintenance and repair, car decoration and accessories, automotive insurance, car rental and other automotive services.

**Services Provided by Automotive Transaction Service Platforms**

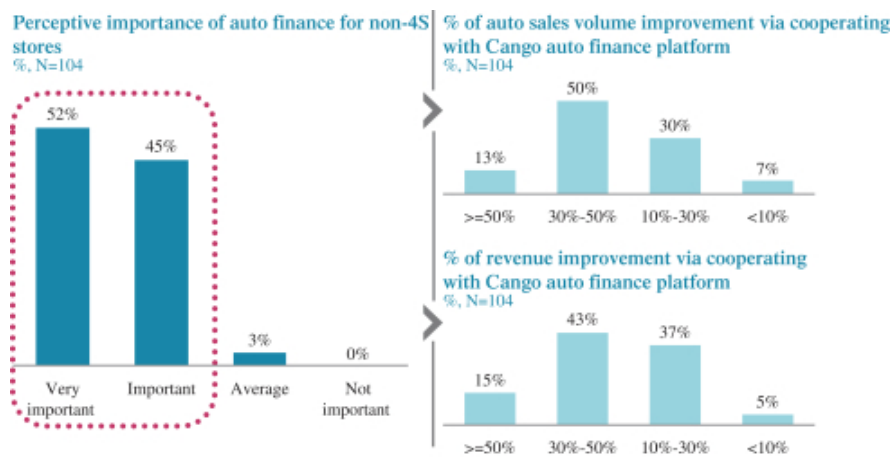
Services provided by automotive transaction service platforms include automotive financing facilitation, automotive transaction facilitation and after-market service facilitation.

**Automotive Financing Facilitation**

Automotive financing facilitation is one of the main products provided by automotive transaction service platform. The retail automotive finance market reached RMB1.1 trillion in outstanding loan balances at the end of 2016, which is expected to increase to RMB2.2 trillion by the end of 2021 at a CAGR of 15.7%, according to the Oliver Wyman Report.

Automotive financing solutions not only make car purchases more accessible to prospective car buyers but also help dealers increase their sales. According to a recent survey conducted by Oliver Wyman, more than 97% of dealers indicated that they had significantly improved business performance by partnering with other platforms to provide automotive financing solutions. In particular, 63% of dealers surveyed believe that they had achieved more than 30% increase in automotive sales, as measured by the number of cars sold, by cooperating with Cango Inc.’s automotive finance platform. In addition, 58% of dealers surveyed believe that they had achieved more than 30% increase in automotive sales, as measured by revenue.

Effectiveness of auto finance in improving non-4S store performance



Source: 2017 Cango selected dealers survey, covering 104 core dealers in 18 provinces, the Oliver Wyman Report

**Key Characteristics**

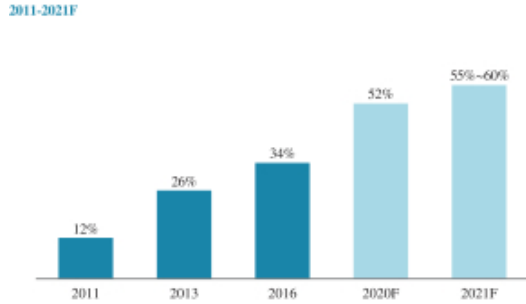
(1) Increasing Acceptance of Automotive Finance Services Driven by Young Consumers

Measured by outstanding balance, China’s retail automotive finance market reached RMB1.1 trillion in 2016 and is forecasted to reach RMB2.2 trillion in 2021, growing at a CAGR of 15.7%. Acceptance of automotive finance services is improving primarily due to a younger generation of consumers who are more open to credit financing. Rising education level and financial literacy among these consumers contribute to this change in attitude.

(2) Increasing but Still Low Automotive Finance Penetration in New and Used Car Transactions

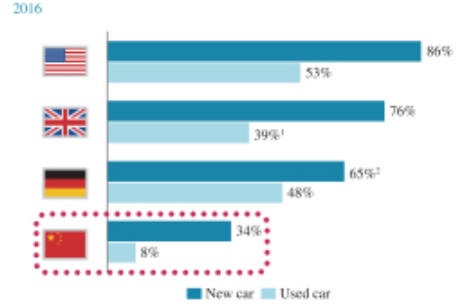
Automotive finance penetration rate, measured by the number of cars sold involving financing services in a period divided by the total number of cars sold in such period, is increasing in line with the expansion of the overall automotive market in China. Nonetheless, the market is significantly underpenetrated. According to the Oliver Wyman Report and as illustrated in the chart below on the right, the automotive finance penetration of new and used car in China was 34% and 8%, respectively, in 2016, compared to penetration rates of over 50% and 30% respectively, in major developed markets, which indicate significant growth potential. According to the Oliver Wyman Report and as illustrated in the chart below on the left, the automotive finance penetration rate of passenger cars has climbed from 26% in 2013 to 34% in 2016. According to the Oliver Wyman Report, such automotive finance penetration rate in China is expected to continue to climb to reach about 52% in 2020.

Forecasted growth of China’s auto finance penetration



Source: The Oliver Wyman Report

Auto finance penetration, China vs. developed countries



1. Data of 2015  
 2. Data of 2014  
 Source: The Oliver Wyman Report

(3) Imbalanced Supply of Financing Sources

In the vast majority of lower-tier cities, although the demand for cars remains strong and the demand for automotive finance services is also increasing, the availability of automotive financing solutions is significantly limited, as these markets are underserved by automotive finance providers such as banks and automotive finance companies.

(4) Relatively High Asset Quality

For financial institutions, the quality of automotive loans in general represents attractive assets offering favorable risk adjusted returns with historically better non-performing loan ratio as compared to other type of loans. The creation of regulatory framework as to automotive loans also aided in its desirability.

**Automotive Transaction Facilitation**

Automotive transaction facilitation services are primarily comprised of (i) automotive transactions between businesses, or B2B transactions, and/or (ii) automotive transactions between businesses and car buyers, or B2C transactions. In B2B transactions, cars may be sold by OEMs, automotive wholesalers or dealers, and such cars may be purchased by automotive wholesalers or dealers. An automotive transaction service platform may also purchase cars itself and sell them to platform participants. Besides automotive sourcing, automotive transaction service platforms may provide other services to dealers, such as supply chain management, customer relationship management, inventory management based on SaaS technology and digital or mobile automobile trading.

In B2C transactions, an automotive transaction service platform may engage car buyers online and connect them with dealers on its platform. With the rapid development of e-commerce in China, concepts of automotive

e-commerce and online-to-offline transactions have become more prevalent in car sales and services. OEMs and dealers are increasingly cooperating with online e-commerce platforms to expand car sales channels. Such platforms link OEMs, dealers and car buyers and deliver convenient user experience.

### ***After-market Service Facilitation***

Automotive after-market services are generally comprised of all services that are required after a new car is sold, including car maintenance and repair, car decoration and accessories, automotive insurance, car rental and other automotive services. China's automotive after-market is forecasted to reach RMB1.1 trillion in 2017, 13.4% higher than 2016. By 2021, the market is projected to exceed RMB1.5 trillion. The key drivers are favorable policies and regulations, increasing number of car sales and the aging of cars purchased and increasing openness to and growth of online automotive after-market services.

Measured by the total amount of premium, China's automotive insurance market is expected to grow steadily at a CAGR of 11% from RMB683 billion in 2016 to RMB1,171 billion in 2021. All cars in China are required by relevant regulations to be covered under compulsory traffic accident insurance, making it the only automotive insurance product with 100% market penetration. Other insurance policies provide coverage for third-party damages caused by traffic accidents. Among the non-compulsory insurance policies, car owners often purchase commercial third-party liability insurance as a complement to the limited coverage of compulsory traffic accident insurance. Vehicle loss insurance and vehicle personnel insurance are two major insurances that insure against property and personnel risks. Specific insurance targeting windshield protection, spontaneous combustion and body scratches are also available in the market.

### ***Technology-Enabled Automotive Transaction Service Platform***

A technology-enabled automotive transaction service platform connects dealers, financial institutions, dealers, car buyers, OEMs and other market participants and utilizes advanced technologies throughout the transaction and service process. Such platforms are emerging as a new force to address a series of pain points throughout the automotive finance value chain by leveraging a variety of new technologies, such as mobile internet, artificial intelligence / machine learning, innovative GPS / sensor and internet of things. For example, traditional automotive transaction service platforms typically lack the necessary industry expertise, technology, human resources and/or geographic reach for conducting business on a nationwide scale, especially when it comes to lower-tier cities. Technology-enabled automotive transaction service platforms are able to deliver comprehensive service to lower-tier cities, which have been underserved by traditional market participants.

Automotive finance is a key element of automotive transaction service platform. While offering automotive financing solutions to car buyers, technology-enabled automotive transaction service platforms also provide loan facilitation and post-loan services to financial institutions that fund the automotive financing solutions. Technologies enable such platforms to improve their existing service offerings. For example, by leveraging machine learning algorithms, these platforms are able to draw insights from multi-dimensional information and assess credit risks more accurately. In addition, the use of telematics devices significantly enhances the effectiveness of repossession efforts, as cars can be located more easily. Technologies also enable such platforms to identify new business opportunities. By collaborating with online automotive advertising platforms, some technology-enabled automotive transaction service platforms are able to engage prospective car buyers online and refer these prospective car buyers to offline dealers, thereby acquiring additional customers for themselves as well as participants on their platforms.

### ***Competitive Landscape***

The tables below set forth (i) the three largest technology-enabled automotive transaction service platforms in China as measured by the outstanding balance of financing transactions facilitated as of September 30, 2017 and (ii) the three largest technology-enabled automotive transaction service platforms in China as measured by

the number of new car dealers covered as of September 30, 2017. We are the largest player in each category according to the Oliver Wyman Report.

<u>Ranking</u>	<u>Company</u>	<u>Outstanding balance of financing transactions facilitated</u>	<u>Ranking</u>	<u>Company</u>	<u>Number of new car dealers covered(1)</u>
1	Cango	approximately RMB23 billions	1	Cango	approximately 24,000
2	Company A	RMB17 to 20 billions	2	Company A	approximately 15,000
3	Company B	approximately RMB17 billions	3	Company B	approximately 9,000

Source: The Oliver Wyman Report

(1) Number of dealers includes both 4S dealers and non-4S dealers, but excludes used car only dealers.

### Key Success Factors of Automotive Transaction Service Platforms

**Industry know-how:** With extensive industry knowledge and experience, particularly thorough understanding of customer needs and business environment, experienced management and skilled staff enable automotive transaction service platforms to make more effective decisions, deliver more value-added services and further solidify business relationships and partnerships.

**Deep involvement in automotive transaction value chain:** automotive transaction service platforms seek to cover the entire automotive transaction value chain and offer a full suite of services to industry participants. Access to funding and risk management capabilities are two important aspects of automotive finance business. Platforms need to ensure that they secure stable and low-cost funding from funding partners to support financing transactions on their platforms and leverage technological innovation to improve the risk management process, such as by utilizing GPS systems.

**Data and technology-enabled operation:** strong technology capabilities are essential to automotive transaction service platform. The progress of data and technology is mainly embedded in mobile-based process, big data adoption and IT system integration. Three main benefits of technology are (i) increased operational efficiency, (ii) ability to track credit status and car location on a real time basis and (ii) accumulation of behavior and risk data along the entire transaction process. Leveraging their market understanding and advanced technology, automotive transaction service platform offer automotive transaction facilitation to help OEMs and dealers improve operation and deal-matching efficiency.

**Combination of offline and online capabilities:** automotive transaction service platforms have started to adopt a combination of online and offline approaches. Online initiatives include online marketing and leads generation, online transaction and online automotive finance facilitation. Offline capabilities include dealer network and offline sales and service team. By leveraging online initiatives and offline capabilities, automotive transaction service platforms are able to offer a smooth and convenient transaction process.

**Extensive dealership network:** as dealers are the most common channels for automotive transaction service platforms to engage car buyers and gather automotive transaction data, it is essential for automotive transaction service platforms to partner with a large number of quality dealers.

## BUSINESS

### Our Mission

Transform automotive and mobility markets with data and technology.

### Overview

We are a leading automotive transaction service platform in China connecting dealers, financial institutions, car buyers and other industry participants. According to the Oliver Wyman Report, we cover the largest number of new car dealers in China, and the outstanding balance of financing transactions we facilitated was the largest among automotive transaction service platforms in China as of September 30, 2017. As of September 30, 2017, our platform connected 30,509 registered dealers, five third-party financial institutions, 501,796 car buyers and 22 other industry participants including OEMs and online advertising platforms. Our platform model puts us in a unique position to add value for our platform participants and business partners as the mobility market in China continues to grow and evolve.

We have extensive, technology-enabled service offerings along the automotive value chain, which enable us to attract more participants to our platform and enhance engagement of existing participants. Our services primarily consist of: (1) automotive financing facilitation, (2) automotive transaction facilitation and (3) after-market service facilitation. We generate substantially all of our revenue from service fees for providing automotive financing facilitation, and to a lesser degree from service fees and other income from providing automotive transaction facilitation and after-market service facilitation. The diagram below illustrates the various kinds of services that our platform provides to the platform participants.



We provide automotive financing facilitation services primarily by connecting financial institutions and car buyers, leveraging our vast dealer network. For financial institutions, we offer integrated solutions that support the full life cycle of automotive financing transactions, including credit origination, credit assessment, credit

servicing and delinquent asset management services. We have established in-depth collaboration with a number of third-party financial institutions, and we do not bear credit risk under our arrangement with one of such financial institutions. For car buyers, we offer automotive financing solutions, with funding either from third-party financial institutions or Shanghai Autohome, a provider of financing leases and our equity investee, and make car buyers' purchases more affordable and accessible. We also provide car buyers with value-added services, such as assistance with administrative procedures associated with car purchasing and financing. We facilitated the financing of 299,560 new and used car purchases with a total amount of financing transactions of RMB18.3 billion (US\$2.7 billion) in the nine months ended September 30, 2017, representing a year-on-year growth of 242.9% from RMB5.3 billion in the nine months ended September 30, 2016.

We provide automotive transaction facilitation services primarily to dealers and car buyers. We operate a digital automobile trading platform, which enables our registered dealers to access additional car sourcing channels while enjoying our value-added services including logistics and warehousing support, and we collaborate with online automotive advertising platforms to help prospective car buyers find suitable cars in our dealer network while providing them with our financing solutions.

We also provide after-market service facilitation services to car buyers, which currently mainly involve facilitating the sale of insurance policies. We continue to explore opportunities to facilitate other after-market services on our platform, including additional types of insurance, extended warranties, car customization, maintenance and repair, and personal wealth management products.

Our strong dealership network is a critical component of our service platform. This network places us at the center of automotive transaction value chain and enables us to closely connect with car buyers and financial institutions. Through the dealer network, we offer automotive financing facilitation services to car buyers across China, and we have built a sizeable and diversified portfolio of automotive financing transactions for financial institutions. As of September 30, 2017, we worked closely with 30,509 registered dealers on our platform, covering 354 cities and all province-level administrative regions in the PRC except for Tibet. In every quarter from the beginning of 2016 to the three months ended September 30, 2017, approximately half of our registered dealers were active, in that each sold at least one car funded by a financing transaction we facilitated. We enhance our registered dealers' competitiveness by improving potential car buyer conversion, increasing sales volume and attracting even more car buyers, and we in turn connect to and serve more participants on our platform because of the network effect.

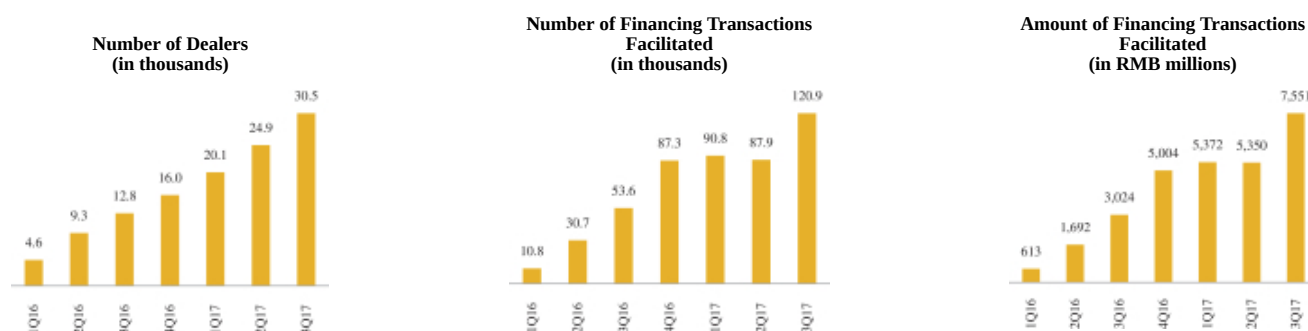
We use technology to connect our platform participants, bring them a premium user experience, and improve our own operation efficiency. For example, we integrate our operating systems with those of our platform participants, such as dealers and financial institutions, to ensure smooth and real time data exchange. Our digitalized credit application process, embedded with advanced credit assessment technology, allows us to help financial institutions achieve an average credit approval time of less than two hours, improving the experience of car buyers in these transactions. Benefiting from our technology-driven sales management system, we continue to optimize our operational efficiency. The average cost per financing transaction decreased from RMB1,338.4 in 2016 to RMB1,129.5 in the nine months ended September 30, 2017.

We have accumulated or accessed a massive amount of car buyer data through various sources including the car buyers themselves, third parties with car buyers' consent, as well as telematics devices during the credit servicing period with car buyers' consent. Our customized cloud-based infrastructure allows us to scale up data processing and storage capacity to meet significant growth. We have developed comprehensive insight and knowledge of our car buyers through data analytics, which will allow us to design and provide other forms of credit solutions and tailor-made financial products to fulfill their evolving demand for financial services in the future. The comprehensive data insight built upon our leading technology provides a competitive edge in potential value-added service offerings such as precision marketing, inventory management, client relationship management and credit portfolio management.

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As we continue to grow our platform, broaden service spectrum and accumulate data insights, we are exploring opportunities to cooperate with our strategic investors, such as Tencent, Taikang Life Insurance and Didi Chuxing, to enhance our full-process technology-driven automotive transaction services.

Our business has witnessed significant growth as illustrated by the charts below:



In the nine months ended September 30, 2017, we had revenue of RMB740.9 million (US\$111.4 million) and net income of RMB319.2 million (US\$48.0 million). In 2016, we had revenue of RMB434.3 million (US\$65.3 million) and net income of RMB133.5 million (US\$20.1 million).

## Our Value Propositions

We believe we bring unique value to our platform participants. Our value propositions solidify the importance of our platform to the automotive transaction value chain.

- *Financial institutions.* We offer financial institutions access to potential car buyers and car dealers across China, powerful risk management tools to assess car buyers and dealers' credit profiles, and an efficient way to build up and operate a sizeable and quality automotive financing business with limited upfront investment.
- *Car buyers.* We provide car buyers automotive financing solutions with more attractive terms, a faster application process and better user experience, making purchasing cars easier and much more accessible for a larger population.
- *Dealers.* We help dealers improve their business performance by facilitating car purchases from automotive wholesalers and other dealers, attracting more car buyers both offline and online and facilitating automotive financing to increase sales volume. In addition, we plan to provide dealer SaaS management system and facilitate supply chain financing to create even more value for dealers.
- *Other Platform Participants.* We attract a wide variety of participants such as OEMs to our platform. We plan to help expand their access to the other parties on the industry value chain and collaborate with them to develop more value-added services.

## Our Strengths

We believe the following strengths contribute to our success and reinforce our market-leading position.

### *Leadership in a Fast-growing Underserved Market*

As a leading automotive transaction facilitation platform, we cover the largest number of new car dealers in China, according to the Oliver Wyman Report. 23,711 of our dealers are new car dealers, representing approximately 22% of new car dealers in China as of September 30, 2017. The outstanding balance of financing

transactions we facilitated was the largest among automotive transaction service platforms in China as of September 30, 2017, according to the Oliver Wyman Report. We facilitated the financing of 299,560 new and used car purchases with a total amount of financing transactions of RMB18.3 billion (US\$2.7 billion) in the nine months ended September 30, 2017.

We operate in a fast growing yet underserved market. China's automotive finance market grew at a CAGR of 32% in terms of outstanding balance from 2013 to 2016 according to the Oliver Wyman Report. However, the penetration rate of automotive finance in China was as low as 34% and 8% in 2016 for new and used cars, respectively, significantly lower than more developed markets. According to the Oliver Wyman Report, the number of transactions for new cars is projected to grow at a CAGR of -3%, 2.6% and 5.8% in tier-one cities, tier-two cities and lower-tier cities from 2016 to 2021, respectively, indicating the significant growth potential in lower-tier cities. However, such cities are severely underserved due to lack of credit infrastructure and insufficient network coverage. We therefore strategically focus on lower-tier cities. As we have capitalized on these market opportunities, the quarterly amount of financing transactions facilitated increased over tenfold from RMB612.8 million in the three months ended March 31, 2016 to RMB7.6 billion in the three months ended September 30, 2017.

We believe our market leadership and scale enable us to provide diversified products and services to platform participants with more attractive terms, which in turn improves our operational efficiency through economies of scale. We believe these competitive advantages strengthen our leadership position and help us adapt to developments in the fast evolving automotive and mobility markets.

### ***Self-reinforcing Platform Empowered by Technology and Data***

Our platform connects dealers, financial institutions, car buyers and other industry participants throughout the entire automotive transaction value chain. We use technologies to improve overall transaction efficiency and unlock value for platform participants. As we engage more industry participants through our platform, we are able to facilitate more transactions among them, collect more data, offer more products and services and create more value for them, creating a self-reinforcing virtuous cycle. The number of dealers and car buyers on our platform increased by 90.3% and 64.2% from December 31, 2016 to September 30, 2017. The number of financing transactions we facilitated to car buyers increased by 38.5% from the three months ended December 31, 2016 to the three months ended September 30, 2017. Business cooperation with leaders in other industries including Tencent, Taikang Life Insurance and Didi Chuxing, which have become our strategic investors, will allow us to not only extend the spectrum of our services but also further monetize the scale and data insights of our platform.

We apply technology to serve our platform participants more efficiently and bring them better user experience. For financial institutions, we built customized application programming interfaces to ensure smooth and real time data exchange, assist credit approval with an assessment model based on deep learning algorithms, extensive industry experience and data accumulated over time, and enhance post-loan management via telematics tracking and car buyers behavior analysis. For dealers, we operate an internal sales management system that allows us to generate marketing leads and monitor their performance and service process in real times. We also operate a digital trading platform where dealers can source cars from our large vehicle database. Both systems allow us to proactively engage with our registered dealers and increase their productivity. For car buyers, our mobile-enabled process, including identity verification with facial recognition technology, has made credit applications more accessible and convenient. Car buyers can receive approval of credit applications from financial institutions that we cooperate with in less than two hours from the time of submission of application on average, and we can fund car purchases within half a day, 7 days a week.

We actively collect data from platform participants to develop insights and enhance our products and services. As of September 30, 2017, we had a database with over 10 terabytes of automotive financing application data covering 592,000 applicants with at least 200 variables for each of them and 29 terabytes of

telematics data. Our system is supported by advanced technologies in cloud computing, distributed ledgers and big data analytics. Our capability to accumulate, store and process a massive amount of data along the automotive transaction value chain not only allows us to operate our existing business efficiently and effectively, but also provides us additional cross-selling opportunities as we gain more insights into each participant on our platform. For example, we can offer car buyers other lifestyle scenario based credit solutions, as well as other tailor-made financial products ranging from insurance to wealth management products. We can also provide more value-added services to dealers including precision marketing, inventory management, client relationship management and credit portfolio management.

#### ***End-to-end Service Model with Financial Institutions***

Combining the data and technology driven risk management with our extensive and powerful dealer network, we provide end-to-end technology-enabled services to financial institutions including credit origination, credit assessment, credit servicing and delinquent asset management. We enable financial institutions to participate in the automotive finance market, particularly in the lower-tier cities where they lack the network to address market demand. We believe we serve a large portion of the automotive financing portfolios of our major financial institution customers, making our relationship with them highly sticky.

We have a fully integrated system linking us and the financial institutions we cooperate with. We serve a number of commercial banks with high internal control requirements, which we take into account when building our system. We integrate our system with certain financial institutions' core systems, which enables us to transmit applicant data and our credit analysis to financial institutions, as well as for financial institutions to transmit credit decisions and monthly repayment data to us, in each case on a real time basis, which demonstrates the high level of trust and recognition of our platform on the part of financial institutions as well as the strength of our relationships.

We are not obligated to bear credit risk for financing transactions funded by Jincheng Bank under the direct partnership model. During the nine months ended September 30, 2017, the amount of financing transactions funded by Jincheng Bank under this arrangement represented 85.2% of the total amount of financing transactions we facilitated. Effective management of credit performance of the financing transactions facilitated through our platform is a central focus of our operation. M3+ overdue ratio for all financing transactions which we facilitated and remained outstanding was 0.40% and 0.24% as of December 31, 2016 and September 30, 2017, respectively.

#### ***Largest and Powerful Dealer Network***

We believe an established dealer network is a critical gateway of the automotive transaction value chain where industry participants meet and transactions take place. We have established the largest dealer network across China with 30,509 registered dealers as of September 30, 2017, including 23,711 new car dealers, representing approximately 22% of market share in China. Our extensive dealer network covered 354 cities and all province-level administrative regions except for Tibet. Our dealer network has been growing rapidly with an average of 1,747 new dealers registered per month in the past 12 months. We have an effective system to manage our vast dealership network, including a strong in-house sales team with 22 regional sales managers and 1,336 sales representatives nationwide as of September 30, 2017. Our in-house sales team is responsible for expanding our dealer network by following a rigorous screening process, and it proactively manages our registered dealers by making frequent onsite visits, providing constant live support and exploring new business opportunities.

As a majority of the dealers in our network are small scale non-4S dealers with limited resources and economies of scale, we have more opportunities to provide them additional technology-enabled services including car sourcing management, inventory management, customer relationship management and supply chain financing facilitation to address their pain points and create value for such car dealers.

### ***Visionary and Experienced Management Team***

Our company is led by an experienced and visionary management team who founded the first automotive finance company in China, SAIC-GMAC Automotive Finance. Having discovered a vast market that is underserved and inefficient, our management team established a transformative platform business model, leveraging their industry expertise and innovative application of technology.

Our Chairman, Mr. Xiaojun Zhang, is a pioneer in China automotive finance sector. He was the founder and chief executive officer of SAIC-GMAC Automotive Finance, with seven years of experience working for The People's Bank of China as financial supervisor. Our chief executive officer, Mr. Jiayuan Lin, was the founder of the automotive finance business segment of SAIC Finance, served as the sales general manager of SAIC-GMAC Automotive Finance, and was also the founder of SAIC AVIS automotive leasing company. Their unique experience and background have imbued them with a profound understanding of China's automobile industry and regulatory environment, which will continue to allow us to stay at the frontier of the industry through constant innovation.

### **Our Strategies**

We seek to continue to transform automotive and mobility markets with data and technology. We plan to pursue the following strategies to achieve our goal:

#### ***Engage More Platform Participants***

We seek to diversify the financial institutions we cooperate with, including both national banks and regional banks. We also aim to increase the other participants of our platform, such as dealers in tier-one and tier-two cities as well as lower-tier cities, OEMs, including foreign brands, sino-foreign joint venture brands, domestic brands and electric vehicle OEMs, insurance companies as well as individual and enterprise car buyers across China. We will continue to focus on our enabler role under the platform model, with a goal to ultimately reduce credit risk exposure with respect to financing transactions we facilitate for third-party financial institutions as we demonstrate a longer track record.

#### ***Roll out More Services along the Automotive Transaction Value Chain***

As we have more participants and more automotive transactions facilitated on our platform and develop more insights as to the automotive transaction value chain, we will continue to roll out more technology-enabled services. We plan to develop SaaS solutions to address dealer pain points including car sourcing management, inventory management and customer relationship management. We will also explore the possibilities to connect dealers with financial institutions for inventory and supply chain financing to promote the stickiness of our platform. We also intend to connect certain OEMs, for example electric vehicle OEMs, with car buyers directly, supported by dealers in place for car delivery and after-market services.

#### ***Provide Consumers with More Products throughout Their Lifetime***

We plan to collaborate with additional online channels to embrace evolving consumer behavior. We intend to discern opportunities to tap into more consumption scenarios arising from automotive and mobility markets based on our insights into consumers' purchasing, financing and usage information. Such opportunities may include but are not limited to consumer-oriented car trading marketplace, car customization and related financing, automotive insurance, non-automotive insurance and personal wealth management products.

#### ***Continue Investment in Data and Technology***

We will continue to invest in technologies in areas such as user interface, mobile communication, telematics analytics and IT infrastructure to improve overall operational efficiency and experience for our platform

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participants. We will also focus on big data technologies to analyze additional data sources, refine our current credit assessment model and improve the level of automation in credit assessment. We intend to deepen our data insights on car buyers, dealers and other industry participants and translate them into new products and business opportunities.

### Deepen Partnerships with Our Strategic Shareholders

We believe our strategic shareholders each bring unique and complementary value to our platform. We are implementing cooperation with each of our strategic shareholders, and will continue to deepen such partnerships as the automotive and mobility markets continuously evolve. We plan to form a comprehensive partnership with Didi Chuxing, a leading ride-sharing technology company, to provide a variety of solutions to the large and rapidly-expanding fleet under its management, such as automotive financing and vehicle sourcing. We also plan to partner with Taikang Life Insurance, a leading insurance company in China, to provide customized insurance products to car buyers on our platform, leveraging our data analytical capabilities and large dealer network. We will also closely work with Tencent, a leading Internet technology service provider, to further develop technology-enabled services for our platform participants and improve our operational efficiency.

### Our Solutions and Services

We provide integrated solutions and services through our technology-enabled platform along the entire automotive transaction value chain, from wholesale transaction of cars, to purchase of cars by individuals and to after-market services. We primarily act as a facilitator in each of these processes, enabling other platform participants to optimize their operations or secure better terms in transactions. The unique value proposition we bring to platform participants allows us to both solidify existing relationships and attract new participants to our platform. As we serve and interact with different types of platform participants, we gain further insights into them and capture new business opportunities. The illustration below sets forth the solutions and services we provide.

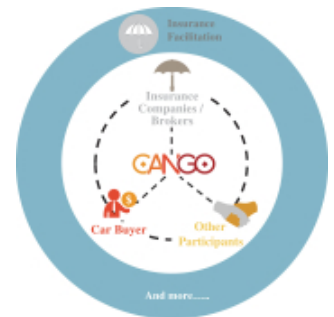
Automotive Financing Facilitation



Automotive Transaction Facilitation



After-market Services Facilitation



### Automotive Financing Facilitation

Automotive financing facilitation services primarily involve facilitating financing transactions from financial institutions to car buyers. For financial institutions, we offer integrated solutions that support the full life cycle of automotive financing transactions, including credit origination, credit assessment, credit servicing and delinquent asset management services. For car buyers, we facilitate financing transactions that make their car purchases more affordable, and we also assist them in handling administrative procedures in relation to car purchasing and financing. We leverage our large nationwide dealer network in providing the services to financial institutions and car buyers. In addition, our focus on technology-driven process also allows us to serve our customers in a highly efficient manner, achieving average credit decision time of less than two hours for financing transactions we facilitated in the nine months ended September 30, 2017.

*Services Provided to Financial Institutions*

- **Credit origination:** We arrange marketing campaigns of financial institutions' automotive financing solutions at the sites of our registered dealers. We utilize our sales team, dealer financial managers and sales agents to promote automotive financing solutions and explain the key terms to prospective car buyers. We provide credit application forms to, and collect completed applications from, prospective car buyers. Our technology enables electronic submission of 100% of these credit applications through either mobile applications or webpages by our sales team, dealer financial managers or sales agents. By integrating our IT system with those of financial institutions, we are able to provide them updates as to the number and the amount of financing transactions that we help them underwrite on a real time basis.
- **Credit assessment:** We conduct a thorough credit assessment of each applicant using our credit assessment model and have our credit assessment team conduct a manual evaluation when necessary. To assist financial institutions in making ultimate credit decisions, we refer qualified credit applications to such financial institutions, which perform independent credit assessment. We have in-depth collaboration with financial institutions and incorporate the credit policies and standards of these financial institutions into our credit assessment system. Our IT system is also highly integrated with financial institutions with which we directly collaborate. As such, we provide significant value to facilitate the ultimate credit decision making process of financial institutions by enhancing its efficiency. For example, it only took less than two hours on average from submission of credit application to provision of credit decision in the nine months ended September 30, 2017. In some instances, credit decisions were provided in less than half an hour.
- **Credit servicing:** Once the credit application is approved, we coordinate with the car buyer and the financial institution to execute the necessary financing documents, in most cases electronically. Upon execution of the financing documents, the financial institution will remit the funds to the relevant dealer to close the transaction. Car buyers are required to designate specific bank accounts to make repayments. We also assist financial institutions in setting up electronic repayment instructions for car buyers to wire the repayments to financial institutions periodically as well as sending periodical reminders to car buyers ahead of each repayment due date. By integrating our IT system with those of financial institutions, we are also able to monitor repayments continuously and share with financial institutions information as to car buyer delinquencies and vehicle locations on a real time basis.
- **Delinquent asset management:** We help financial institutions collect repayments and repossess collaterals for financing transactions that have become delinquent, with the aim to cost-effectively recover value. Our delinquent asset management process consists of six distinct stages, namely automated reminders, live phone calls, in-person visits, repossession, disposal and legal actions. We initiate the process as soon as delinquency starts, but we obtain the relevant financial institution's consent before we repossess a car. Every car purchased through our platform comes with a telematics device, which helps us locate the collateral. We have established a nationwide network of third-party repossession agents and external counsel to supplement our own resources. Our in-house team is also closely involved in each stage of the delinquent asset management process to ensure compliance with the relevant laws and regulations.

We charge financial institutions service fees for credit origination, credit assessment and credit servicing. These service fees are typically based on a percentage of the principal amount of the relevant financing transaction. We charge financial institutions additional fees for our delinquent asset management services.

*Services Provided to Car Buyers*

- **Automotive Financing Solutions:** We assist car buyers in obtaining the appropriate financing package for purchasing a car, including introduction of automotive financing solutions of third-party financial institutions that we partner with. These automotive financing solutions are structured as either loans or financing leases. We also facilitate financing leases to car buyers through Shanghai Autohome, an

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entity in which we currently own 50% equity interest. We receive service fees from Shanghai Autohome for facilitating such transactions. For more information, see “Related Party Transactions.” Upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary. In the nine months ended September 30, 2017, 85.8% of the amount of financing transactions we facilitated were used for purchasing of new cars, while the rest were used for used car purchases. The table below sets forth a breakdown of the total amount of financing transactions facilitated by funding sources, both in absolute amount and as a percentage of the total amount facilitated, in the periods presented:

	Year ended December 31, 2016			Nine months ended September 30, 2017		
	RMB	US\$	%	RMB	US\$	%
	(in thousands, except for percentages)					
Financing transactions funded by third-party financial institutions	9,146,574	1,374,742	88.5	18,069,271	2,715,836	98.9
Financing transactions funded by Shanghai Autohome	1,186,046	178,264	11.5	203,573	30,597	1.1
<b>Total</b>	<b>10,332,620</b>	<b>1,553,006</b>	<b>100.0</b>	<b>18,272,844</b>	<b>2,746,433</b>	<b>100.0</b>

The amount of financing transactions funded by Shanghai Autohome decreased from RMB1.2 billion for 2016 to RMB203.6 million in the nine months ended September 30, 2017. The decrease was primarily due to our strategic decision to facilitate more financing transactions funded by third-party financial institutions.

The table below sets forth the number of credit applications we processed and the number of financing transactions we facilitated in the periods presented.

	Three months ended						
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Number of credit applications	18,806	47,957	80,965	132,472	126,667	125,959	171,835
Number of financing transactions facilitated	10,793	30,704	53,573	87,336	90,791	87,854	120,915

- **Purchase Facilitation:** Leveraging our knowledge of automotive transactions, we offer car buyers various value-added services associated with purchasing cars with financing. Such services mainly involve registrations of license plates and collaterals with the relevant government authorities. Car buyers tend to be unfamiliar with the rules and procedures for making such registrations, and we believe our services significantly improve car buyers’ experience in purchasing cars with financing.

We may charge car buyers a fee for providing value-added services in certain instances. In addition, Shanghai Autohome recognizes financing lease income relating to financing lease payments from car buyers.

### Automotive Transaction Facilitation

We facilitate automotive transactions between automotive wholesalers, dealers and car buyers. We possess a large number of automotive transaction data, as we facilitate the distribution of automotive financing products. Utilizing these data, we are able to provide additional services, including car sourcing and logistics and warehousing support for dealers, which we refer to as B2B transactions, and facilitation of car purchases for car buyers, which we refer to as B2C transactions. By using our automotive transaction facilitation services, dealers are also able to enjoy economies of scale in vehicle sourcing and logistics management. Similarly, our

automotive transaction facilitation business is also powered by our technology platform, aiming to maximize efficiencies.

- **B2B transactions:** We operate “91HaoChe,” a digital automobile trading platform, which enables our registered dealers to access additional car sourcing channels and receive value-added services including logistics and warehousing support. 91HaoChe facilitates car sourcing for dealers by either (i) taking a proprietary inventory position of cars and reselling such cars to dealers or (ii) operating a marketplace that allows registered dealers to share car information and trade new and used cars. In the former case, we primarily purchase car models which we believe are reliable, affordable and will appeal to car buyers in lower-tier cities based on automotive transaction data we collected to minimize our inventory risk. As of September 30, 2017, we had facilitated automotive transactions with a total revenue of RMB3.2 million through our subsidiary, Shanghai Cango Automobile Sales Services Co., Ltd., since the launch of 91HaoChe service in June 2017. Our service allows registered dealers to not only receive better pricing, but also manage logistics and warehousing of vehicle purchases more cost effectively, as we cooperate with third-party logistics companies to serve registered dealers. We currently do not charge a commission for facilitating automobile trading between registered dealers. We provide logistics and warehousing services to facilitate automobile trading and receive a fee from dealers for such services. We also generate income by reselling cars from our inventory. In the future, we plan to facilitate supply chain financing that enables dealers to purchase more cars from automotive wholesalers and OEMs through our platform. As of September 30, 2017, 1,969 dealers were registered on 91HaoChe.
- **B2C transactions:** As of September 30, 2017, we were in collaboration with 11 online automotive advertising platforms to facilitate car purchases for car buyers. We assist prospective car buyers to find suitable cars in our vast dealer network according to each car buyer’s unique preference. The service also enables our registered dealers to tap into the large user base of the online automotive advertising platforms. In 2016 and the nine months ended September 30, 2017, we facilitated 8,054 and 8,454 B2C transactions to car buyers. We do not charge car buyers or dealers fees for facilitating B2C transactions. Nonetheless, we generate income by facilitating financing for such B2C transactions. In addition, we also maintain regular contact with prospective car buyers who have indicated interest in purchasing a car but have not been able to locate a suitable one in our dealer network. We aim to convert some of them into our customers in the future. Our frequent contacts with these prospective car buyers and deep insights into their needs may also bring us additional cross-selling opportunities in the future.

#### ***After-market Services Facilitation***

Our platform also facilitates after-market services to car buyers, which is currently comprised of facilitating the sale of insurance policies from insurance brokers or companies. Our scale and our ability to provide an effective channel for insurance brokers and companies to acquire customers has enabled us to negotiate more favorable premium for car buyers. The products currently offered through our platform are accident insurances. We earn service fees from insurance brokers for facilitating the sale of such insurance products. We believe we are able to understand the needs of car buyers and deliver competitively priced products that resonate with car buyers. We will continue to explore and identify opportunities to facilitate other after-market services, including additional types of insurances, extended warranties, car customization, maintenance and repair, and personal wealth management products.

#### **Our Relationships with Our Platform Participants**

As the leading automotive transaction service platform in China, we connect dealers, financial institutions, car buyers and other participants such as insurance brokers and companies, online automotive advertising platforms and OEMs. As of September 30, 2017, our platform connected 30,509 registered dealers, five third-party financial institutions, 501,796 total car buyers cumulatively and 22 other industry participants, including

OEMs and online advertising platforms. The scale of our platform has a network effect that further strengthens our ability to serve each party on our platform. We believe that by leveraging our technological capabilities and strong relationships with our customers and business partners, we will be able to transform the automotive and mobility markets in China.

### **Dealers**

Our extensive dealer network is the foundation of our platform, and we closely collaborate with our registered dealers when we provide services to financial institutions and car buyers. At the same time, we help dealers increase their sales and source additional car buyers for them. We also facilitate B2B transactions for our registered dealers by providing additional car sourcing channels and value-added services including logistics and warehousing support. Such full-process services significantly strengthen our relationships with dealers, which in turn enhance the value of our platform to financial institutions and car buyers.

As of September 30, 2017, our dealer network was comprised of 30,509 registered dealers, which included approximately 22% of new car dealers in China. As of the same date, our extensive dealer network covered 354 cities in all province-level administrative regions in China except for Tibet.

We manage our dealer network through a dedicated in-house sales team of 1,336 employees as of September 30, 2017. Our sales team is supervised by 18 regional offices, which are in turn supervised by our headquarters. Responsibilities of our sales team include sourcing and preliminary review of new dealers, management of relationships with registered dealers and on-the-ground customer support. Responsibilities of regional offices include management of regional dealer networks, management of our sales team and organizing regional marketing campaigns. Responsibilities of our headquarters include, among other things, review and approval of new dealers, periodic review of existing dealers and management of dealer database. We have implemented an incentive scheme for members of our sales team based on their performance, and we monitor performance data on a real-time basis through our electronic sales management system.

Our sales team also utilizes a sales management system to engage new dealers and monitor existing dealers. The system maintains a comprehensive list of dealers across China, and we continually update this list based on information obtained from online automotive advertising platforms, OEMs as well as government sources. Based on the list, we analyze the penetration rate of our dealer network in each region, screen dealers which are suitable for our dealer network and proactively engage these dealers.

To ensure the quality of our dealer network as well as prevent potential fraud risk, we have implemented a rigorous procedure to screen dealers based on the dealer's licensing status, operation history, scale, location and various other factors. We maintain an internal blacklist of fraudulent dealers, and we also use a third-party database to identify whether a dealer has been involved in significant lawsuits. Our screening procedure involves an on-site visit, during which our sales team interviews the dealership manager, examines the dealer's business licenses and makes inquiries about its business. Our sales team records its findings electronically in our sales management system and submits the findings electronically to a group of around ten supervisors based in our headquarters, who make the final decision as to whether the dealer can join our network.

Through our sales management system, we constantly monitor and evaluate the performance of all of our registered dealers, including factors such as their productivity and credit quality of financing transactions originated through them. To maintain operational efficiency, we terminate relationships with registered dealers that fail to meet our performance expectations. In 2016 and the nine months ended September 30, 2017, we terminated collaboration with 1,319 and 2,944 dealers. As a result of pro-active management of our dealer network, the percentage of active dealers in our dealer network has remained relatively stable despite the fast growth of total number of registered dealers. The following table sets forth the total number of our registered dealers as of the dates indicated, the numbers of dealers added and terminated in the periods indicated and the

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number of active dealers during the periods indicated as a percentage of the total number of our registered dealers as of the end of such periods.

	As of / in the three months period ended						
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Registered dealers at beginning of period	3,006	4,554	9,338	12,827	16,035	20,079	24,870
Addition	1,553	5,440	3,806	3,549	4,553	5,911	6,954
Termination	5	656	317	341	509	1,120	1,315
Registered dealers at end of period	4,554	9,338	12,827	16,035	20,079	24,870	30,509
Active dealers (%)	49.4	49.7	50.9	51.0	51.0	49.9	52.1

The following table sets forth a breakdown of the number of registered dealers in our dealer network by location, both in absolute terms and as a percentage of the total number of registered dealers, as of the dates indicated.

	As of December 31, 2016		As of September 30, 2017	
	Number	%	Number	%
Tier-one and tier-two cities	4,066	25.4	8,520	27.9
Lower-tier cities	11,969	74.6	21,989	72.1
Total	16,035	100.0	30,509	100.0

We collaborate with two types of dealers, namely 4S dealers and non-4S dealers. Each 4S dealer sells products exclusively from one OEM and adopts store designs specified by such OEM. 4S dealers cover a comprehensive set of functions, including auto sales, spare parts, after-sale services and customer surveys. In contrast, non-4S dealers only cover auto sales and after-sales services, but not spare parts or customer surveys. A non-4S dealer does not have an exclusivity arrangement with any individual OEM and tends to sell cars from multiple OEMs. A non-4S dealer may sell new cars, used cars or both. Non-4S dealers tend to have smaller scale of operations and lack connections with OEMs and financial institutions. As such, non-4S dealers tend to lack stable sources to purchase cars for themselves or find financing solutions for car buyers, and we are well positioned to create significant value for such dealers.

The following table sets forth a breakdown of the number of registered dealers by type, both in absolute terms and as a percentage of the total number of registered dealers, as of the dates indicated.

	As of December 31, 2016		As of September 30, 2017	
	Number	%	Number	%
4S dealers	5,325	33.2	7,107	23.3
Non-4S dealers	10,710	66.8	23,402	76.7
Total	16,035	100.0	30,509	100.0

Our sales team actively manages our dealer network through frequent on-site visits and timely updates of product offerings on our platform. We manage our dealer network through three models, namely the self-operated sales model, dealer financial manager model and sales agent model.

- *Self-operated sales model.* Under this model, a dealer's sales representative makes the initial introduction of our automotive financing solutions to a prospective car buyer. If a prospective car buyer expresses interest

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in such solutions, the dealer contacts a member of our in-house sales team, who will come to the dealer's store and explain the terms of our automotive financing solutions to the prospective car buyer and offers assistance in completing the credit application. Our sales team then uploads the credit application to our online system for our credit assessment team to evaluate.

- *Dealer financial manager model.* Many dealers, especially 4S dealers, employ dealer financial managers, who have received training from us with respect to the automotive financing solutions on our platform. Dealer financial managers are capable of explaining the terms of our automotive financing solutions to prospective car buyers and addressing their questions. As such, our sales team is generally not directly involved in credit origination under this model. The dealer financial managers are responsible for assisting prospective car buyers in completing the credit applications and submitting them to our credit assessment team.
- *Sales agent model.* As we expand into certain cities, we may collaborate with local sales agents that already have established local dealer networks. We provide trainings to sales agents' employees with respect to the automotive financing solutions on our platform. Sales agents are responsible for explaining the terms of the automotive financing solutions to prospective car buyers and collecting credit applications from them. Our sales staff screens these sales agents to evaluate their qualifications, and we only work with sales agents who we believe will interact with prospective car buyers professionally. Sales agents receive service fees from financial institutions and, in some instances, from us as well. We do not collaborate directly with dealers under this model.

The following table sets forth a breakdown of the number of registered dealers by dealer coverage model, both in absolute terms and as a percentage of the total number of registered dealers, as of the dates indicated.

	As of December 31, 2016		As of September 30, 2017	
	Number	%	Number	%
Self-operated sales model	7,297	45.5	16,377	53.6
Dealer financial manager model	2,943	18.4	4,423	14.5
Sales agent model	5,795	36.1	9,709	31.8
Total	<u>16,035</u>	<u>100.0</u>	<u>30,509</u>	<u>100.0</u>

The following table sets forth the breakdown of the total amount of financing transactions we facilitated by dealer coverage model, both in absolute amount and as a percentage of the total amount of financing transactions we facilitated, for the periods presented.

	Year ended December 31, 2016			Nine months ended September 30, 2017		
	RMB	US\$	%	RMB	US\$	%
	(in thousands, except for percentages)					
Self-operated sales model	4,475,272	672,639	43.3	8,609,203	1,293,975	47.1
Dealer financial manager model	2,733,017	410,776	26.5	4,431,349	666,038	24.3
Sales agent model	3,124,331	469,591	30.2	5,232,293	786,421	28.6
Total	<u>10,332,620</u>	<u>1,553,007</u>	<u>100.0</u>	<u>18,272,844</u>	<u>2,746,433</u>	<u>100.0</u>

To efficiently manage our sales efforts, we have developed a mobile application for our in-house sales team, dealer financial managers and sales agents. The mobile application enables personnel involved in our sales efforts to submit credit applications on behalf of prospective car buyers and monitor the status of such credit applications. We also utilize the mobile application to assign tasks to such personnel and collect their performance data on a real-time basis.

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Given the importance of dealers to the origination process, dealers typically receive commissions for financing transactions facilitated, which are based on a percentage of the principal amount of the relevant financing transaction. A dealer may receive commissions from us or the relevant financial institution, depending on the arrangement among us, the dealer and the relevant financial institution.

### **Financial Institutions**

Financial institutions are important business partners to our platform. We act as the gateway for financial institutions into the rapidly growing automotive finance industry in China. Traditional financial institutions typically lack the necessary technology, human resources and/or geographic reach to provide automotive financing on a nationwide scale, especially within lower-tier cities. Our services enable financial institutions to broaden their reach to car buyers and dealers through our extensive dealer network across China. Our collaboration with financial institutions has enabled us to scale up our business and facilitate a large number of financing transactions without straining our own capital resources.

Third-party financial institutions fund a major portion of financing transactions that we facilitate to car buyers, and we also facilitate financing leases funded by Shanghai Autohome. We collaborate with third-party financial institutions in facilitating financing transactions under two models, which we refer to as the direct partnership model and co-partnership model, respectively. We receive service fees from financial institutions for facilitating automotive financing transactions to car buyers. As of September 30, 2017, we were in collaboration with five third-party financial institutions.

The table below sets forth a breakdown of the total amount of financing transactions funded by third-party financial institutions and Shanghai Autohome, both in absolute amount and as a percentage of the total amount facilitated, in the periods presented:

	Year ended December 31, 2016			Nine months ended September 30, 2017		
	RMB	US\$	%	RMB	US\$	%
(in thousands, except for percentages)						
<b>Financing transactions funded by third-party financial institutions:</b>						
Direct partnership model	9,146,574	1,374,742	88.5	15,707,259	2,360,822	86.0
Co-partnership model	—	—	—	2,362,012	355,014	12.9
<b>Total financing transactions funded by third-party financial institutions</b>	<b>9,146,574</b>	<b>1,374,742</b>	<b>88.5</b>	<b>18,069,271</b>	<b>2,715,836</b>	<b>98.9</b>
Financing transactions funded by Shanghai Autohome	1,186,046	178,264	11.5	203,573	30,597	1.1
<b>Total</b>	<b>10,332,620</b>	<b>1,553,006</b>	<b>100.0</b>	<b>18,272,844</b>	<b>2,746,433</b>	<b>100.0</b>

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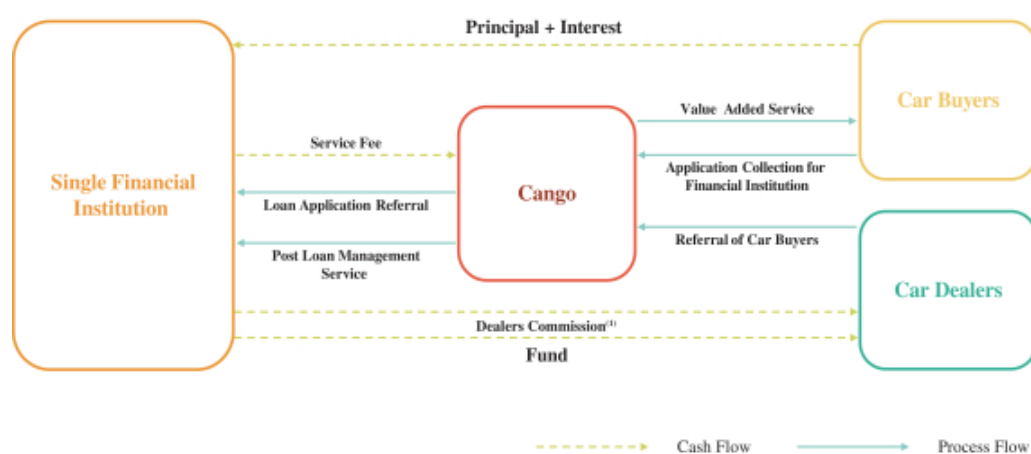
The table below sets forth a breakdown of the total outstanding principal of financing transactions funded by third-party financial institutions and Shanghai Autohome, both in absolute amount and as a percentage of the total outstanding amount facilitated, as of the date presented:

	As of December 31, 2016			As of September 30, 2017		
	RMB	US\$	%	RMB	US\$	%
(in thousands, except for percentages)						
<b>Outstanding principal of financing transactions funded by third-party financial institutions:</b>						
Direct partnership model	9,111,188	1,369,424	89.7	20,036,501	3,011,513	86.7
Co-partnership model	—	—	—	2,193,916	329,749	9.5
<b>Total outstanding principal of financing transactions funded by third-party financial institutions</b>	<b>9,111,188</b>	<b>1,369,424</b>	<b>89.7</b>	<b>22,230,418</b>	<b>3,341,262</b>	<b>96.2</b>
Outstanding principal of financing transactions funded by Shanghai Autohome	1,051,778	158,084	10.3	871,686	131,016	3.8
<b>Total</b>	<b>10,162,966</b>	<b>1,527,508</b>	<b>100.0</b>	<b>23,102,104</b>	<b>3,472,278</b>	<b>100.0</b>

### Direct Partnership Model

Under the direct partnership model, we cooperate with the financial institution that would typically view automotive financing as an important part of its growth strategy and is therefore willing to commit a significant amount of capital to fund automotive financing transactions, which we would in turn facilitate. Recognizing the strategic value of its commitment, we connect our IT system directly with the financial institution, which allows us to structure the credit underwriting process at a highly customized level according to the needs of the financial institution. We currently maintain such arrangements with two financial institutions, one of which being Jincheng Bank.

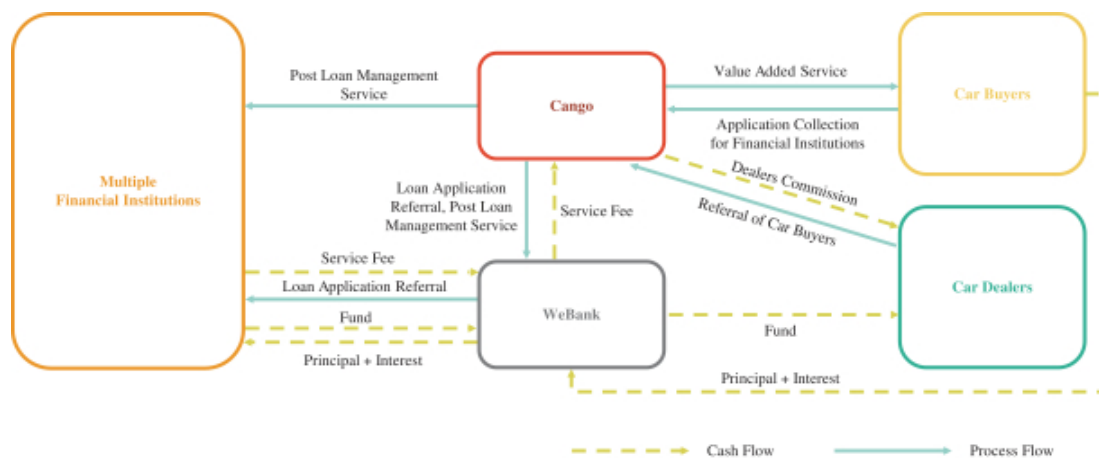
For financing transactions funded by Jincheng Bank under the direct partnership model, which account for a major portion of the financing transactions facilitated under this model, we are not obligated to bear credit risk. The total outstanding balance of financing transactions for which we have risk assurance obligation was only 13.8% and 3.6% of the total outstanding balance under the direct partnership model as of December 31, 2016 and September 30, 2017, respectively. The chart below illustrates arrangements under the direct partnership model.



(1) A dealer may also receive commissions from us under certain circumstances.

*Co-partnership Model*

We started to collaborate with WeBank in 2017 to facilitate financing transactions with funding provided by WeBank and other financial institutions. Such arrangements allow us to expand the number of financial institutions we collaborate with in a highly efficient manner. We currently collaborate with four financial institutions, including WeBank and Jincheng Bank, under the co-partnership model. The chart below illustrates arrangements under the co-partnership model.



Under the co-partnership model, we are obligated to purchase the relevant financing receivables from financial institutions upon certain specified events of default by car buyers. After purchasing such financing receivables, security interest in the collateral is also transferred to us.

*Financing Leases*

Shanghai Autohome funds financing leases through borrowings from trusts administered by trust companies, its own capital as well as collaboration with Bank of Shanghai. The financing leases are recorded on Shanghai Autohome’s balance sheet as financing lease receivables. In 2016 and the nine months ended September 30, 2017, the amount of financing leases funded by Shanghai Autohome was RMB1,186.0 million (US\$178.3 million) and RMB203.6 million (US\$30.6 million), respectively. As of December 31, 2016 and September 30, 2017, the outstanding principal of financing leases funded by Shanghai Autohome was RMB1,051.8 million (US\$158.1 million) and RMB871.7 million (US\$131.0 million), respectively. We plan to expand the amount of financing leases funded by Shanghai Autohome.

*Car Buyers*

We seek to deliver automotive financing solutions to creditworthy car buyers who are underserved by traditional financial institutions. Leveraging the resources on our platform, we offer automotive financing solutions to car buyers that make their dream of purchasing a car a reality. In addition to automotive financing solutions, our platform also offers financing related value-added services and facilitates after-market services such as insurance products.

As of September 30, 2017, our platform had cumulatively served 501,796 car buyers. In 2016 and the nine months ended September 30, 2017, approximately 65% and 69% of car buyers we engaged were from lower-tier cities, respectively. Lower-tier cities in China have demonstrated strong growth potential for automotive transactions. According to the Oliver Wyman Report, the number of new car sales in these cities grew at a CAGR of 12.2% from 2014 to 2016, and is projected to grow at a CAGR of 6.6% from 2016 to 2021, significantly

outpacing the growth rates in tier-one and tier-two cities as a whole. However, car buyers in lower-tier cities tend to be underserved by traditional financial institutions due to lack of credit records and banking infrastructure coverage, which offers opportunities for technology-enabled service platforms to address the demand from car buyers and expand in these cities.

We acquire car buyers primarily through our registered dealers. In addition, we collaborate with online automobile advertising platform in gathering leads. In 2016 and the nine months ended September 30, 2017, we facilitated a total of 182,406 and 299,560 of financing transactions, respectively, of which 95.6% and 97.2% came from applicants we engaged through our registered dealers, respectively, with the remainder coming from applicants we engaged online through platforms we collaborate with.

In each of 2016 and the nine months ended September 30, 2017, approximately 69% of car buyers who utilized our automotive financing solutions were married, and approximately 79% of car buyers who utilized our automotive financing solutions were aged between 20 and 40. In 2016 and the nine months ended September 30, 2017, approximately 86% and 85% of car buyers who utilized our automotive financing solutions were male, respectively.

We remain in contact with many car buyers even after their automotive loans or financing leases are repaid. We place phone calls or provide notifications to car buyers regarding additional automotive financing solutions through our mobile application Car Owner eGeneration, if we believe they may become interested in purchasing a new car, or to offer them other after-market services, particularly insurance products.

### **Other Platform Partners**

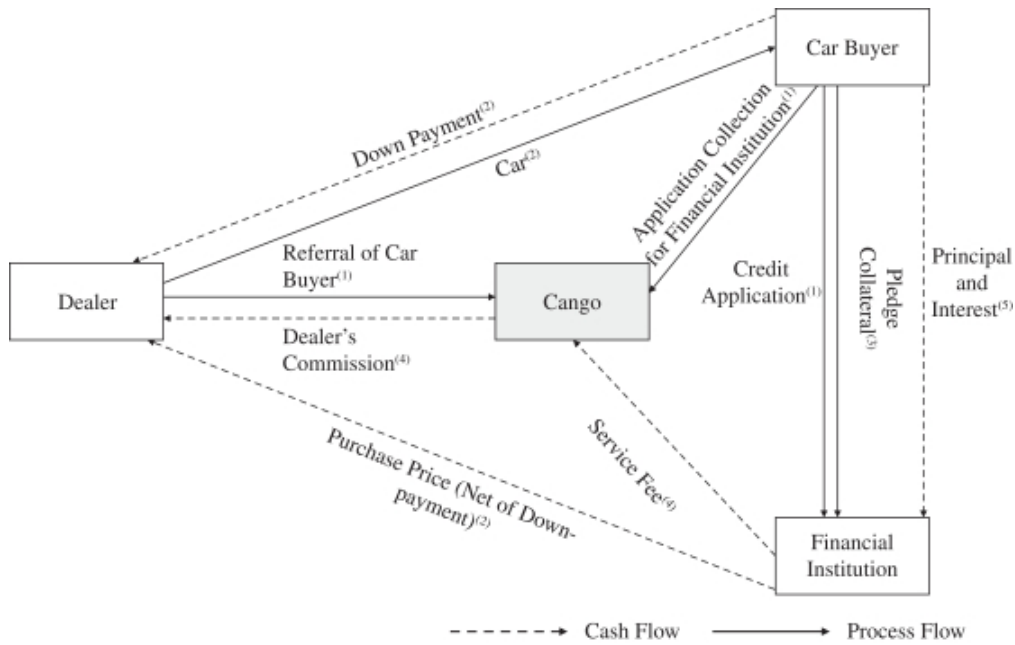
- **Insurance Brokers and Companies:** In December 2017, we started to facilitate the sale of insurance products for insurance brokers or companies. We are able to provide access to a large number of car buyers for insurance brokers and companies, making us a natural and highly efficient partner for them to promote their insurance products. The insurance products currently offered through our platform are related to accident insurance. We plan to collaborate with additional insurance brokers and companies to facilitate the offering of new types of insurance policies, including automotive insurance and health insurance, as we gain further experience in facilitating insurance products.
- **Online Automotive Advertising Platforms:** We collaborate with leading online automotive advertising platforms to tap into the large user base of these platforms. Users who are interested in our automotive financing solutions are directed to our call center, which is staffed with 30 dedicated sales representatives. Our call center staff further explains our solutions to the user and assists the user in finding a suitable car in our dealer network. In 2016 and the nine months ended September 30, 2017, we facilitated 8,054 and 8,454 financing transactions to car buyers we engaged online. All of such financing transactions were funded by Shanghai Autohome. We view online automotive advertising platforms as alternative channels to engage car buyers, and we plan to continually explore new opportunities to collaborate with these and other platforms.
- **OEMs:** Some of the financing transactions we facilitate are part of OEM-sponsored subsidy programs. We enable collaboration between OEMs and financial institutions to design low-interest financing solutions for car buyers. As of September 30, 2017, 11 OEMs participated in our platform by subsidizing low-interest financing transactions that we facilitate. As many domestic OEMs lack financing capabilities, and many dealers seek to enhance their sales through automotive financing solutions, our platform creates significant value for these industry participants.

### **Credit Underwriting and Risk Management**

We view credit underwriting and risk management as core components of our business operations. We undertake these functions as part of facilitating automotive financing.

**Credit Underwriting Process**

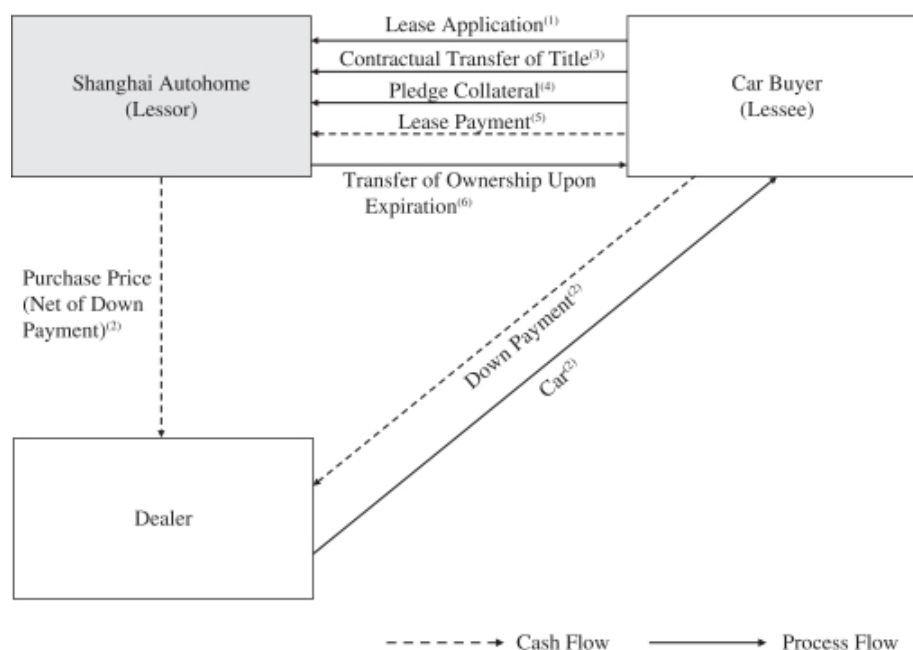
The following chart illustrates our typical process of loan facilitation for a financial institution.



- (1) After receiving the credit application from a car buyer, we utilize our credit assessment system to perform the initial evaluation. To assist financial institutions in making ultimate credit decisions, we refer qualified credit applications to such financial institutions, which perform independent credit assessment.
- (2) After the credit application is approved, the car buyer enters into a loan agreement with the financial institution. The car buyer is required to make the down payment to the dealer. On behalf of the car buyer, the financial institution pays the purchase price of the car, net of the down payment, to the dealer.
- (3) The car buyer is required to pledge the car as collateral in favor of the financial institution. The pledge is registered with local government authorities.
- (4) The financial institution pays us service fees. A dealer may receive commissions from us or the relevant financial institution, depending on the arrangement among us, the dealer and the relevant financial institution.
- (5) In the form of automatic payments, the car buyer repays principal and interest in installments to the financial institution. The financial institution's security interest in the collateral is released upon the full repayment of the loan.

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We also facilitate financing leases, which are all structured using sale-and-leaseback method. We apply the same credit assessment process in facilitating financing leases as in facilitating loans. Shanghai Autohome takes the role of a lessor in a financing lease transaction. Once a car buyer's lease application is approved, the car buyer utilizes financing provided by the lessor to purchase a car from the dealer. The car buyer is then contractually required to transfer the ownership of the car to the lessor which the lessor then leases back to the relevant car buyer in return for monthly lease payments. The following chart illustrates the typical process of a financing lease funded by Shanghai Autohome.



- (1) Prospective car buyers submit lease applications to us, and we process these applications by utilizing our credit assessment system.
- (2) After we approve a lease application, the car buyer enters into a lease agreement with us, and we are identified as the lessor. The car buyer is required to make the down payment to the dealer. We fund the remainder of the purchase price to the dealer. The car is then delivered to the car buyer, who temporarily obtains title to the car.
- (3) The car buyer is contractually required to transfer the title to us. In order to simplify the transaction process, we do not require the car buyer to register the transfer with the government authorities.
- (4) In addition, we require the car buyer to pledge the car as collateral for the car buyer's payment obligations under the lease.
- (5) The car buyer is required to designate a bank account for repayments and authorize automatic lease payments from such account. The payments are made in monthly installments. We have the right to repossess the collateral in the event of default.
- (6) Upon the expiration of the lease term, we transfer the title back to the car buyer, and our security interest in the collateral is also released.

### Credit Assessment Model

Credit assessment forms the foundation of our risk management efforts. We take a prudent approach to credit assessment, relying on our credit assessment model and have our credit assessment team conduct a manual

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evaluation when necessary. We continuously refine our credit assessment model, and we have experienced low overdue ratios for the financing transactions facilitated through our platform. M3+ overdue ratio for all financing transactions which we facilitated and remained outstanding was 0.40% and 0.24% as of December 31, 2016 and September 30, 2017, respectively.

Our credit assessment model builds on machine learning algorithms, including logistic regression and gradient boost decision tree, and is continuously optimized using transaction data we have gained over time. The model analyzes a large amount of multi-dimensional applicant information, including credit data, personal data and behavioral data. The applicant is required to provide certain information as part of the credit application, such as his or her residential address, education level and marital status. The applicant also submits copies of his or her PRC identity card and driver's license. In addition, we obtain applicants' consent for collecting information from third-party sources. Information from these sources offers us valuable insights into an applicant's credit history, including the number of recent delinquencies as well as the number of recent credit applications. For more details on technologies utilized in credit assessment, see "—Our Technology System."

With our credit assessment model, we automatically approved approximately 17.1% of applications, and we automatically rejected approximately 8.1% of applications during the three months ended September 30, 2017. Our credit assessment team, which was comprised of more than 50 experienced reviewers as of September 30, 2017 and led by a supervisor with over 15 years of experience in automotive finance, manually evaluates the rest of the applications. Leveraging their industry experience and insights into borrower behavior, our credit assessment team provides the second line of defense against credit and fraud risk. The additional factors considered in the manual review process include, among others, (i) whether the purchase price for a car is reasonable in light of the prospective car buyer's background, (ii) the prospective car buyer's ability to repay and (iii) whether the information provided by the prospective car buyer is consistent with the information collected from third-party sources. Our credit assessment team then makes an assessment based on these additional factors. Without compromise to our risk management, we plan to enhance the level of automation in the credit assessment process, which would enable us to both deliver superior user experience and scale up our business more rapidly.

For financing transactions funded by financial institutions, we conduct credit assessment to assist financial institutions in making ultimate credit decisions. We refer qualified credit applications to such financial institutions, which perform independent credit assessment.

Besides credit assessment, we take additional measures to manage credit risk. For example, every car purchased through our platform comes with a telematics device. The telematics devices are valuable aids to our repossession efforts.

### ***Financing Terms***

Financing transactions we facilitate are structured as either loans or financing leases. Both types of arrangements require car buyers to provide down payments, pledge cars as collateral and make repayments in installments. The terms of the financing transactions are stated in the agreements the car buyers sign with third-party financial institutions or Shanghai Autohome:

- *Down payments.* A car buyer is typically required to provide a down payment to the relevant dealer based on a percentage of the purchase price of the car. This percentage varies among different funding arrangements and typically ranged from 20.0% to 30.0% of the purchase price in 2016 and the nine months ended September 30, 2017.
- *Principal.* The principal represents the purchase price of the car net of the down payment, which typically ranged from RMB43,000 (US\$6,463) to RMB68,720 (US\$10,329) in 2016 and RMB44,900 (US\$6,749) to RMB70,400 (US\$10,581) in the nine months ended September 30, 2017.

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- *Interest rate.* Annual interest rate varies among different funding arrangements and typically ranged from 9.19% to 16.07% in 2016 and 8.50% to 13.49% in the nine months ended September 30, 2017. Besides interest, financial institutions do not charge car buyers additional fees.
- *Installments.* Each car buyer may repay in monthly installments over a period ranging from one to five years. The combined total represents the principal and interest charged to the car buyer. The car buyer is required to designate a bank account for repayments and authorize automatic payments from this account.
- *Prepayment.* Each car buyer who wishes to pay off the outstanding principal before maturity is charged a prepayment fee. The fee is based on a percentage of the outstanding principal amount at the time of prepayment.
- *Late payment penalty fee.* A penalty fee for late payment is laid out in the agreement and imposed based on the outstanding principal amount and number of days that a payment is overdue.

In the event of delinquency, the financing terms are not allowed to be restructured.

### ***Delinquent Asset Management***

Our delinquent asset management process, which consists of six distinct stages, is designed to recover value in a cost-effective way.

- (1) *Automated reminders.* During the first five days after a delinquency occurs, we send automated text messages and make automated phone calls as reminders.
- (2) *Live phone calls.* If the delinquency continues for more than five days, members of our delinquent asset management team make phone calls to urge the borrower to make the overdue payments, understand the reasons for the delinquency and inform the borrower of the legal consequences of the delinquency.
- (3) *In-person visits.* If the delinquency continues for more than 15 days, we may conduct in-person visits when we determine such measures are warranted. Around 40 members of our delinquent asset management team are responsible for this task. We view the visits as opportunities to collect repayments as well as to investigate the status of the collateral. If we identify any significant risk with respect to the collateral, we will commence our repossession efforts immediately. For example, a visit may reveal that the car buyer has already given the car to another person.
- (4) *Repossession.* If the delinquency continues for more than 45 days or if we identify a significant risk to our ability to recover the collateral, we then seek to repossess the car by collaborating with third-party repossession agents. For the financing transactions funded by financial institutions, we obtain their authorizations before commencing our repossession efforts. We enter into cooperation agreements with the repossession agents, which are obligated to perform their duties in compliance with the applicable laws and regulations. We have developed a mobile application that provides real-time updates of the full repossession process, which significantly improve repossession efficiency. In 2016 and the nine months ended September 30, 2017, the success rate for our repossession agents to repossess cars with telematics device was 69.5%. If the telematics device were removed, the repossession agent could rely on other information related to the car buyer, including the address specified in the credit application, to locate the car. In 2016 and the nine months ended September 30, 2017, the success rate for our repossession agents to repossess cars without telematics devices was 27.4%.
- (5) *Disposal.* After a car is repossessed, we store it in a warehouse to prevent its value from further deteriorating. To cover our nationwide operations, we leased 21 warehouses across China as of September 30, 2017, five of which were tended to by our own employees. We conduct on-site visits to ensure these warehouses are suitable for automotive storage and are properly guarded to prevent theft.

While the car is stored in the warehouse, we contact the car buyer again and try to convince the car buyer to buy back the car by paying off the outstanding amount along with an added repossession fee. If the car buyer is unable to make the payment, we will then sell the car.

- (6) *Legal actions.* If we are unable to repossess collateral from a delinquent borrower, we may commence a lawsuit against the borrower. In addition, if a large overdue balance remains after a repossessed car is sold, we may also commence a lawsuit against the relevant borrower. We have access to a nationwide network of external counsel who can represent us on such lawsuits at a reasonable cost. We view the court judgment as another way to motivate the car buyer to make repayments as well as affirmations of creditor’s legal rights under the relevant credit documents.

### **Our Technology System**

Our technology system, which supports all key operations of our platform, is designed to optimize for scalability and flexibility. The system handles the massive volume of data required to evaluate a large number of credit applications quickly and monitors repayment activities by borrowers. In the meantime, it is flexible enough to capitalize on changing user preferences, market trends and technological advances. Our technology infrastructure is based on cloud computing distributed platform, which is scalable with strong data processing power. We have collected approximately 30 terabytes of data through telematics devices, and we typically receive over 30,000 data points every second. Built on modular architecture, our system can easily expand to enable new business functions, connect new platform participants, as well as collect information from and interact with these new participants. Supported by our technology system, we received 100% of our credit applications electronically in the three months ended September 30, 2017. Wechat platform, our proprietary mobile applications and in-store terminals contributed 7.6%, 22.4% and 70.0% of our total credit applications in the three months ended September 30, 2017, respectively. Our technology system also allowed us to achieve high operational efficiency. The average cost per financing transaction decreased from RMB1,338.4 in 2016 to RMB1,129.5 in the nine months ended September 2017.

Technology is embedded into each of our business lines’ operational processes, including:

- *Integration with financial institutions.* Our IT system is highly integrated with those of financial institutions with which we directly collaborate. It typically takes us two months to establish an integrated connection with a financial institution’s core banking system. The system integration enables us to transmit applicant data and our credit analysis to financial institutions, as well as for financial institutions to transmit credit decisions and monthly credit repayment data to us, in each case on a real time basis. Powered by this system, it only took less than two hours on average from submission of credit application to provision of credit decision in the nine months ended September 30, 2017. In some instances, credit decisions were provided in less than half an hour. With the help of repayment data provided by financial institutions, we are also able to commence collection efforts in a timely manner.
- *Mobile applications.* We have developed various mobile applications for our platform participants, as set forth in the table below:

<u>Mobile Application</u>	<u>User Type</u>	<u>Main Functions</u>
Cango Car Loan	Prospective car buyers	Prospective car buyers can select cars available on our dealer network as well as submit credit applications to purchase these cars with financing leases offered by Shanghai Autohome.

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<b>Mobile Application</b>	<b>User Type</b>	<b>Main Functions</b>
Car Owner eGeneration	Car buyers	We provide information relating to insurance products and financing solutions we facilitate. We also provide customer support, traffic infraction inquiries, vehicle valuation and other services through this mobile application.
Cango Financial Services	Our sales team, dealer financial managers and sales agents	<p>Users of the mobile application are able to receive real time updates for automotive financing solutions on our platform. They can also verify prospective car buyers' identities using facial recognition function, submit credit applications, receive credit decisions and arrange for electronic signing of financing transaction documents through this mobile application.</p> <p>Our in-house sales team uses the mobile application to engage new dealers and monitor existing dealers' sales efforts.</p> <p>We also utilize the mobile application to assign tasks to personnel involved in our sales efforts and monitor the status of our sales efforts based on 42 parameters.</p>
91HaoChe	Dealers	Dealers share car information and trade new cars or used cars through this mobile application.
Jingang—Repossession	Repossession agents	The mobile application allows us to effectively manage repossession agents. We place our orders through the mobile application. The application also allows the repossession agents to view information about the cars and car buyers, locate cars installed with telematics devices and report progress on repossession efforts. In addition, the application allows the repossession agents to record videos of the repossession processes, which helps them

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<u>Mobile Application</u>	<u>User Type</u>	<u>Main Functions</u>
Jingang—Warehousing	Warehouse staff	ensure compliance with the relevant laws and regulations.  The mobile application allows us to effectively manage warehouse staff. We send notices before delivering repossessed cars to the warehouses. The warehouse staff provide us with confirmations when they receive the cars. We also notify the warehouse staff when we need to deliver the cars to the relevant purchasers or car buyers.
Cango GPS	Mechanics	Mechanics who are responsible for installing telematics devices on cars use this mobile application to provide us with confirmations after they install the devices.

- *Credit assessment and data security.* Our credit assessment model is based on various algorithms such as the gradient boosting decision tree and processes a large amount of data we collect from car buyers, both directly from their applications and indirectly from third-party sources with their consent. Our credit decision engine was customized by our own research and development team based on our car buyer base. We are in the process of developing a control platform to monitor credit risk on a real-time basis. To prevent identity theft, we utilize facial recognition technology, through which we compare an applicant's image in real time with the photo stored at the National Citizen Identity Information Center of the Ministry of Public Security. We store our data and transmit it to financial institutions in an encrypted form. We have also created controls to limit employee access to such information and monitor access.
- *Telematics.* Every car purchased through our platform comes with a telematics device. Our technology system is integrated with these telematics devices, which enable us to not only locate the collaterals but also collect a massive volume of car location data. We believe this data enable us to enhance our services offered and empower us to explore new business opportunities, such as offering usage-based insurance. We have collected approximately 30 terabytes of data through telematics devices, and we typically receive over 30,000 data points every second.

Additionally, we have focused on developing infrastructure technologies in three major areas to support the overall business functions, including cloud computing, distributed architecture and big data analysis.

**Cloud computing:** Our technology system is deployed and our data is maintained through a customized cloud computing system. We have established a hyper-converged infrastructure that is supported by 211 high-performance servers. We utilize the hyper-converged infrastructure for all service interfaces and core applications in our technology system. Cloud computing enables us to maintain flexibility in allocating our IT resources with improved manageability and lower labor cost. Thus we can more rapidly adjust resources to meet the significant growth of our business.

**Distributed architecture:** We establish micro-service interfaces using a distributed architecture, which is supported by virtualization technology. Our distributed architecture enables us to expand our technology system rapidly and achieve high concurrence capabilities. Currently, we have over 48,000 data points per second parallel

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processing capability. Built with flexibility to connect with both internal and external systems, our micro-service interfaces allow us to effectively integrate our IT system with those of financial institutions. We plan to gradually apply distributed architecture to our entire technology system in order to support the development of new services and business relationships.

**Big data analytics:** We collect a massive volume of data from car buyers through the credit application process as well as telematics devices. We also collect data from third party sources with car buyers' consents. As of September 30, 2017, we have a database over 10 terabytes of automotive financing application data covering 592,000 applicants with at least 200 variables for each of them and approximately 30 terabytes of telematics data. We continuously enhance our level of automation through big data analysis and machine learning. Leveraging our massive database, we aim to expand the application of big data analysis in the key aspects of our operations, such as sales, credit assessment and delinquent asset management, while staying within the scope of car buyers' consents.

Our research and development department comprised 77 employees as of September 30, 2017, including core team members with extensive experience with leading Internet and technology companies in China. These specialists focus on different areas including mobile application development, IT product development, new business incubation and others.

## Competition

The automotive transaction industry in China is large yet competitive. We compete against automotive transaction platforms that connect various players across the automotive transaction value chain in automotive and automotive-related transaction facilitation. Within automotive financing as a subset of this, we compete against players such as Yixin Group and Uxin Group. We may also in the future face competition from new entrants that will increase the level of competition. We anticipate that more established companies, including technology companies that possess large, existing user bases, substantial financial resources, sophisticated technological capabilities and established distribution channels may also enter the market in the future. As a leading automotive transaction service platform in China, we believe that our self-reinforcing platform, end-to-end service model, large and powerful dealer network and visionary and experienced management team make our platform more attractive and efficient to each type of participants we collaborate with, providing us with a competitive advantage over existing and potential competitors.

## Employees

As of December 31, 2016 and September 30, 2017, we had a total of 1,084 and 1,993 employees, respectively. The following table sets forth the breakdown of our employees as of September 30, 2017 by function:

<b>Function</b>	<b>Number of Employees</b>	<b>% of Total</b>
Sales and marketing	1,376	69.0
Operations	238	11.9
Risk management	172	8.6
Research and development	77	3.9
General administration	130	6.5
<b>Total</b>	<b>1,993</b>	<b>100.0</b>

As of September 30, 2017, 413 of our employees were based in Shanghai. The rest of our employees were based in 20 other cities across China.

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have generally been able to attract and retain

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qualified personnel and maintain a stable core management team. We plan to hire additional experienced and talented employees in areas such as big data analytics, marketing and operations, risk management and sales as we expand our business.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. In addition, we purchased employer's liability insurance and additional commercial health insurance to increase insurance coverage of our employees. We enter into standard labor, confidentiality and non-compete agreements with our employees. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

### **Facilities**

Our corporate headquarters is located in Shanghai, China, where we lease approximately 5,383.5 square meters of office space. We also maintain leased properties of approximately 6,379.2 square meters of office space in 23 other cities as our regional offices. In addition, we leased approximately 15,120.0 square meters of 28 warehouses across 21 cities in China. We believe that we will be able to obtain adequate facilities, principally by lease, to accommodate our future expansion plans.

### **Seasonality**

We experience seasonality in our business, reflecting car buyers' purchase patterns. A greater number of cars tend to be purchased in the second half of each year, in part due to the introduction of new models from automotive manufacturers. This increase in car sales generates greater demand for our services. On the other hand, the Chinese New Year holiday contributes to lower activity levels in the first quarter of each year. As a result, we typically record higher revenues during the second half of each year compared to the first half.

### **Intellectual Property**

We regard our trademarks, domain names, copyrights, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. We have registered five trademarks in the PRC, including "CANGO Management 灿谷管理". We are the registered holder of thirteen domain names in the PRC, including cangoonline.com and autohomefinance.com. We have two registered software copyrights relating to our mobile applications.

### **Insurance**

We provide social insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We also purchased employer's liability insurance and additional commercial health insurance to increase insurance coverage of our employees. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. We consider our insurance coverage to be sufficient for our business operations in China.

**Legal Proceedings**

We are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

## REGULATIONS

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

### Regulation Related to Financing Lease

The Administrative Measures of Supervision on Financing Lease Enterprises, or the Administrative Measures, was formulated by the MOFCOM and became effective on October 1, 2013. According to the Administrative Measures, the MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of financing lease enterprises. A financing lease company shall report, according to the requirements of the MOFCOM, the relevant data in a timely and truthful manner through the National Financing Lease Company Management Information System. Specifically, a financing lease enterprise shall, submit, within 15 business days after the end of each quarter, the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operations in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an auditing firm for the preceding year prior to April 30 of each year. In the event of a change of name, a relocation to another region, an increase or decrease of registered capital, a change of organizational form, an adjustment of ownership structure or other changes, a financing lease company shall report to the competent provincial-level commerce authority in advance. A foreign-invested financing lease company that undergoes such changes shall go through approval and other procedures according to the relevant provisions. A financing lease company shall, within five business days after registering such changes, log into the National Financing Lease Company Management Information System to modify the above information.

Financing lease enterprises should use real entities, which have clear ownership and capable of generating revenue, as lessor to carry out the financing lease business. Financing lease enterprises shall not engage in deposits, loans, entrusted loans or other financial services or inter-bank borrowing unless permission has been granted from the relevant departments. Financing lease enterprises must not carry out illegal fund-raising activities under the name of a financing lease company. According to the Administrative Measures, financing lease enterprises shall strengthen their internal risk controls, and establish effective systems for classifying at risk assets, and adopt a credit appraisal system for the lessee, a post recovery and disposal system and a risk alert mechanism. A financing lease company shall also establish an affiliated transaction management system, and exclude persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production company, the settlement price for such equipment shall not be lower than the price offered by such company to any third party of such equipment or equipment of the same batch.

The Administrative Measures also contain regulatory provisions specifically focusing on sale-leaseback transactions. The subject matter of a sale-leaseback transaction shall be properties that possess economic functions and produce continuous economic benefits. A financing lease company shall not accept any property to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction. A financing lease company shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

Pursuant to the Circular of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration over Foreign-invested Financing Lease Companies promulgated on July 11, 2013, or the Circular, foreign-invested financing lease companies that failed to conduct substantive financing lease business operations in the previous fiscal year or failed to pass the annual inspection and had

violations of laws and regulations, shall be ordered by the local authority to make rectifications and report the information on such rectification to the MOFCOM. Foreign-invested financing lease companies shall not engage in deposits, loans, entrusted loans or inter-bank borrowing and equity investment unless permission has been granted from relevant departments. The Circular specifies that foreign-invested financing lease companies are not allowed to provide direct or indirect financing to local governmental financing companies which undertake public welfare project in any form in order to prevent fiscal and financial risks.

The Guiding Opinions on Accelerating the Development of Financing Lease Industry, or the Guiding Opinion, was promulgated by the General Office of the State Council of the PRC on August 31, 2015; the Guiding Opinion's main task is to accelerate the development of the financing lease industry in four aspects: system and mechanism reform, development in major fields, innovative development and industry supervision. According to the Guiding Opinion, there is no minimum registered capital requirement for subsidiaries of a financing lease company, a financing lease company is allowed to engage in a side business which is related to its main business, and private capital and independent third-party service providers are encouraged to incorporate financing lease companies.

The Contract Law of the PRC, or the PRC Contract Law, promulgated by the National People's Congress effective from October 1, 1999 regulates the civil contractual relationship among natural persons, legal persons and other organizations. Chapter 14 of the PRC Contract Law sets forth mandatory rules about financing lease contracts including that financing lease contracts shall be in written form and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased property upon expiration of the lease.

Under financing lease contracts, the lessor shall conclude a purchase contract based on the lessee's selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property.

Without the consent of the lessee, the lessor may not modify relevant details related to the lessee of the purchase contract that has been concluded based on the lessee's selections in respect of the seller and the leased property. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased property shall vest in the lessor.

Pursuant to the PRC Contract Law, unless otherwise agreed upon by the parties, the rental shall be determined according to the major part or whole of the costs for the purchasing the leased property and reasonable profits of the lessor.

Shanghai Autohome, our proprietary financing lease subsidiary, utilizing our own capital to fund financing leases to car buyers, has obtained the approval to operate financing lease business as issued by the MOFCOM.

### **Regulations Related to Intermediation**

An intermediation contract under the PRC Contract Law is a contract whereby an intermediary presents to its client an opportunity for entering into a contract or provides the client with other intermediary services in connection with the conclusion of a contract, and the client pays the intermediary service fees. Our business practice of connecting financial institutions with individual car buyers may constitute an intermediary service, and our service agreements with financial institutions may be deemed as intermediation contracts. Pursuant to the PRC Contract Law, an intermediary must provide true information relating to the proposed contract. If an

intermediary conceals any material fact intentionally or provides false information in connection with the conclusion of the proposed contract, which results in harm to the client's interests, the intermediary may not claim for service fees and is liable for the damages caused.

### **Regulations Related to Internet Information Security and Privacy Protection**

PRC government authorities have enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress, China's national legislative body, enacted the Decisions on Maintaining Internet Security in December 2000, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in December 2012, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. Any entity collecting personal information must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties, and is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the entity collecting personal information to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens, issued in 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens, which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015, which became effective in November 2015, any person or entity that fails to fulfill the obligations related to Internet information security administration as required by applicable laws and refuses to rectify upon orders is subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of criminal evidence; or (iv) other severe situation, and any individual or entity that (i) sells or provides personal information to others in a way violating the applicable law, or (ii) steals or illegally obtain any personal information is subject to criminal penalty in severe situation.

In providing our service, we collect certain personal information from borrowers to provide credit origination, credit assessment and credit servicing to financial institutions for the purpose of facilitating

transactions to borrowers. We have also collected car buyers' data through telematics devices. We have obtained consent from borrowers to collect and use their personal information, and have also established information security systems to protect the user information and to abide by other network security requirements under such laws and regulations. However, there is uncertainty as to how the network security requirements for maintaining network security and protecting borrowers' personal information will be interpreted and implemented. We cannot assure you that our existing policies and procedures will be deemed to be in full compliance with any laws and regulations that are applicable, or may become applicable to us in the future. We may be subject to penalties if we were found to be in violation of such laws and regulations.

### **Regulations Related to VATS License**

Among all of the applicable laws and regulations, the Telecommunications Regulations of the People's Republic of China, or the Telecom Regulations, promulgated by the PRC State Council in September 25, 2000 and amended on July 29, 2014 and February 6, 2016 respectively, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations distinguish "basic telecommunications services" from "VATS." VATS are defined as telecommunications and information services provided through public networks. The Telecom Catalogue was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added. In February 2003 and December 2015, the Telecom Catalogue was updated respectively, categorizing online data and transaction processing, information services, among others, as VATS.

The Administrative Measures on Telecommunications Business Operating Licenses, promulgated by the MIIT in 2009 and most recently amended in July 2017, which set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of VATS must first obtain a VATS License, from the MIIT or its provincial level counterparts, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to close.

### **Regulation Related to Foreign Investment Restrictions**

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalog of Industries for Foreign Investment (2017 Revision), or the Catalog, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The Catalog divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally deemed as constituting a fourth "permitted" category and open to foreign investment unless specifically restricted by other PRC regulations. Industries such as VATS (other than online retail and mobile commerce) are restricted to foreign investment.

According to the Administrative Regulations on Foreign-Invested Telecommunications Enterprises issued by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016 respectively, foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture. The regulations restrict the ultimate capital contribution percentage held by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor in a foreign invested value-added telecommunications enterprise to have a good track record and operational experience in the VATS industry.

In July 2006, the predecessor, the Ministry of Industry and Information Technology of the PRC, or the MIIT, issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign

Investment in Value-added Telecommunications Business, or the MIIT Circular, according to which, a foreign investor in the telecommunications service industry of China must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. The MIIT Circular further requires that: (i) PRC domestic telecommunications business enterprises must not, through any form, lease, transfer or sell a telecommunications businesses operation license to a foreign investor, or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all VATS providers are required to maintain network and Internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the MIIT Circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business, or the VATS License.

In light of the above restrictions and requirements, we plan to conduct our value-added telecommunications businesses through our consolidated VIE.

### **Anti-money Laundering Regulations**

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

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

We plan to adopt various policies and procedures, such as internal controls and "know-your-customer" procedures, for anti-money laundering purposes. However, as the implementing rules of the Internet Finance Guidelines have not been published, there is uncertainty as to how the anti-money laundering requirements in the Guidelines will be interpreted and implemented, and whether automotive financial service platforms like us must abide by the rules and procedures set forth in the PRC Anti-money Laundering Law that are applicable to non-financial institutions with anti-money laundering obligations. We cannot assure you that our existing anti-money laundering policies and procedures will be deemed to be in full compliance with any anti-money laundering laws and regulations.

### **Regulations Related to Intellectual Property Rights**

The Standing Committee of the National People’s Congress, or the SCNPC, the State Council and the National Copyright Administration, or the NCAC, have promulgated various rules and regulations relating to the protection of software in China, including without limitation the PRC Copyright Law, adopted in 1997 and revised in 2001, 2010 respectively, with its implementation rules adopted in 1991 and revised in 2002, 2011 and 2013 respectively, and the Regulations for the Protection of Computer Software as promulgated on January 30, 2013. Under these rules and regulations, software owners, licensees and transferees may register their rights in software with the NCAC or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process to enjoy the better protections afforded to registered software rights.

The PRC Trademark Law, adopted in 1982 and revised in 1993, 2001 and 2013 respectively, with its implementation rules adopted in 2002 and revised in 2014, protects registered trademarks. The PRC Trademark Office of the State Administration for Industry and Commerce, or the SAIC, handles trademark registrations and grants a protection term of ten years to registered trademarks.

The MIIT promulgated its Administrative Measures on Internet Domain Names in 2017. According to these measures, the MIIT is in charge of the overall administration of domain names in China. The registration of domain names in PRC is on a “first-apply-first-registration” basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

### **Regulations Related to Employment**

On June 29, 2007, the SCNPC, adopted the Labor Contract Law, which became effective as of January 1, 2008 and was revised on December 28, 2012 and became effective on July 1, 2013. The Labor Contract Law requires employers to enter into written contracts with their employees, restricts the use of temporary workers and aims to give employees long-term job security. Pursuant to the Labor Contract Law, employment contracts lawfully concluded prior to the implementation of the Labor Contract Law and continuing as of the date of its implementation will continue to be performed. Where an employment relationship was established prior to the implementation of the Labor Contract Law but no written employment contract was concluded, a contract must be concluded within one month after the Labor Contract Law’s implementation.

According to the Social Insurance Law promulgated by SCNPC and effective from July 1, 2011, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, Regulation of Unemployment Insurance, the Decision of the State Council on Setting Up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns, the Interim Regulation on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, an employer is required to contribute the social insurance for its employees in the PRC, including the pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. Under the Regulations on the Administration of Housing Funds, promulgated by the State Council on April 3, 1999 and as amended on March 24, 2002, an employer is required to make contributions to a housing fund for its employees.

The use of employees of third-party labor dispatch agencies, who are known in China as “dispatched workers,” is mainly regulated by the Interim Provisions on Labor Dispatching, which was promulgated by the Ministry of Human Resources and Social Security in January 2014. It provides that an employer may use dispatched workers only for temporary, auxiliary or substitute positions, and shall strictly control the number of workers under labor dispatching arrangements. The number of dispatched workers used by an employer shall not exceed 10% of the total number of its employees.

## **Regulations Related to Foreign Exchange**

### ***Regulation on Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated another circular in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. On February 28, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

On March 30, 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 came into force and replaced both the Circular of the State Administration of Foreign Exchange on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises, or Circular 142 and the Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas, or Circular 36 on June 1, 2015. Circular 19 allows all foreign-invested enterprises established in the PRC to use their foreign exchange capitals to make equity investment and removes certain other restrictions had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective in June 2016, which reiterates some of the rules set forth in Circular 19, but Compared to Circular 19, Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties). However, there exist substantial uncertainties with respect to the interpretation and implementation in practice with respect to the Circular 16. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions or loans to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

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

SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, that became effective in July 2014, replacing the Circular of the State Administration of Foreign Exchange on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 provides that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to SPVs but had not obtained registration as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the SPVs with qualified banks. An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

#### **Regulations Related to Stock Incentive Plans**

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas, or the Stock Option Rules in February 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC

residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or other material changes. The PRC agent must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents.

### **Regulations Related to Dividend Distribution**

The principal regulations governing distribution of dividends of foreign holding companies include the Foreign Investment Enterprise Law, issued in 1986 and amended in 2000 and 2016, and the Implementation Rules under the Foreign Investment Enterprise Law, issued in 1990 and amended in 2001 and 2014 respectively. Under these regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

### **Regulations Related to Taxation**

#### ***Enterprise Income Tax***

In March 2007, the National People's Congress enacted the Enterprise Income Tax Law, and in December 2007, the State Council promulgated the Implementing Rules of the Enterprise Income Tax Law, or the Implementing Rules, both of which became effective on January 1, 2008. The Enterprise Income Tax Law (i) reduces the top rate of enterprise income tax from 33% to a uniform 25% rate applicable to both foreign-invested enterprises and domestic enterprises and eliminates many of the preferential tax policies afforded to foreign investors, (ii) permits companies to continue to enjoy their existing tax incentives, subject to certain transitional phase-out rules and (iii) introduces new tax incentives, subject to various qualification criteria.

The Enterprise Income Tax Law also provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules further define the term "de facto management body" as the management body that exercises substantial and overall management and control over the production and operations, personnel, accounts and properties of an enterprise. If an enterprise organized under the laws of jurisdiction outside China is considered a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, it would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Second, a 10% withholding tax would be imposed on dividends it pays to its non-PRC enterprise shareholders and a 10% tax would apply with respect to gains derived by its non-PRC enterprise shareholders from transfer of its shares.

According to the Enterprise Income Tax Law, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement. Pursuant to the Notice of the State Administration of Taxation on

Negotiated Reduction of Dividends and Interest Rates, which was issued on January 29, 2008 and supplemented and revised on February 29, 2008, and the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income, which became effective on December 8, 2006 and applies to income derived in any year of assessment commencing on or after April 1, 2007 in Hong Kong and in any year commencing on or after January 1, 2007 in the PRC, such withholding tax rate may be lowered to 5% if a Hong Kong enterprise is deemed the beneficial owner of any dividend paid by a PRC subsidiary by PRC tax authorities and holds at least 25% of the equity interest in that particular PRC subsidiary at all times within the 12-month period immediately before distribution of the dividends. Furthermore, the State Administration of Taxation promulgated the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties in October 2009, which stipulates that non-resident enterprises that cannot provide valid supporting documents as “beneficial owners” may not be approved to enjoy tax treaty benefits. Specifically, it expressly excludes an agent or a “conduit company” from being considered as a “beneficial owner” and a “beneficial owner” analysis is required to be conducted on a case-by-case basis following the “substance-over-the-form” principle.

#### **Value-Added Tax and Business Tax**

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to approval by the relevant tax authorities. Whereas, pursuant to the Provisional Regulations on Value-Added Tax of the PRC and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax, which became effective on May 1, 2016. Pursuant to the pilot plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries, including the VATS, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

#### **Regulations Related to M&A and Overseas Listings**

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the SAT, the SAIC, the China Securities Regulatory Commission, or CSRC, and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, require that (i) PRC entities or individuals obtain MOFCOM approval before they establish or control a SPV overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV, or Share Swap, and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (ii) the SPV obtains MOFCOM’s approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (iii) the SPV obtains CSRC approval before it lists overseas.

The Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress on August 30, 2007 and effective on August 1, 2008 requires that transactions which are deemed concentrations and

involve parties with specified turnover thresholds must be cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Lenders, or Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Lenders, or the MOFCOM Security Review Regulations, which became effective on September 1, 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the MOFCOM Security Review Regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under the Circular 6 led by the National Development and Reform Commission, or NDRC, and MOFCOM under the leadership of the State Council, to carry out the security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

## MANAGEMENT

### Directors and Executive Officers

The following table sets forth certain information relating to our directors and executive officers upon closing of this offering.

Name	Age	Position/Title
Xiaojun Zhang	47	Co-founder and chairman
Jiayuan Lin	49	Co-founder, director and chief executive officer
Langlang Zhou	36	Director
Zuyu Tan	45	Director
Yongyi Zhang	45	Chief financial officer and director
Weibiao Zhan	46	Director
Zhipeng Song	34	Director

**Xiaojun Zhang** is our co-founder and has served as our chairman since 2014. Mr. Zhang has also served as a chairman and general manager of Shanghai Autohome since 2016. Prior to co-founding our company, Mr. Zhang served as a director and general manager of Shanghai Automobile Group Finance Company from 2004 to 2013. From 1999 to 2004, Mr. Zhang served as a deputy general manager of SAIC-GMAC Automotive Finance Co., Ltd. From 1992 and 1998, Mr. Zhang served as a financial supervisor of People's Bank of China, Shanghai Branch. Mr. Zhang received a bachelor's degree in finance from Shanghai University of Finance and Economics in 1992 and a master's degree in business administration from Peking University in 2003.

**Jiayuan Lin** is our co-founder and has served as our director and chief executive officer since 2010. Prior to co-founding our company, Mr. Lin served as an assistant general manager of Shanghai Automobile Group Finance Company from 2007 to 2010. From 2003 to 2007, Mr. Lin served as a director of the sales department of SAIC-GMAC Automotive Finance Co., Ltd. From 1997 to 2003, Mr. Lin worked in SAIC General Motors Corporation Limited as a manager of tax and insurance in the finance department and a manager of finance support in the marketing department. From 1991 to 1997, Mr. Lin worked in the Pudong branch of Bank of China as a staff member in the finance department, deputy manager of the audit division and deputy manager of the credit division. Mr. Lin received a bachelor's degree in economics, with specialization in investment management, from Shanghai University of Finance and Economics in 1991.

**Langlang Zhou** has served as our director since 2017. Mr. Zhou has been a managing director of Warburg Pincus LLC since 2005 and is currently a director of China Huarong Asset Management Co., Ltd., Hwabao WP Fund Management Co., Ltd. and Wacai Holdings Limited. Mr. Zhou served as an analyst of the investment banking division of Credit Suisse First Boston from 2003 to 2004 and an associate of the investment banking division of Citibank from 2004 to 2005. Mr. Zhou obtained a bachelor's degree in business and a bachelor's degree in electrical engineering from the University of Western Ontario in 2002.

**Zuyu Tan** has served as our director since 2018. Mr. Tan served as a general manager of Taikang Asset Management Co., Ltd. since 2016. From 2006 to 2008, Mr. Tan served as an investment director of Actis Capital, LLP. From 2001 to 2005, Mr. Tan served as an investment officer of International Finance Corporation. In 1998, Mr. Tan worked as an investment manager of Everbright Bank of China International Trust and Investment Corp. From 1995 to 1998, Mr. Tan worked as an auditor at KPMG. Mr. Tan received a bachelor's degree in accounting from Beijing Institute of Machinery Industry in 1995 and a master's degree in international finance from the London School of Economics and Political Science in 2000.

**Yongyi Zhang** has served as our chief financial officer since 2018 and director since 2018. Prior to joining our company, Mr. Zhang served as an executive director of Zhongde Securities Co., Ltd. from 2010 to 2018.

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From 2001 to 2010, Mr. Zhang served as a senior manager of China Galaxy Securities Co., Ltd. From 1997 to 2001, Mr. Zhang served as a deputy manager of Shanghai Stock Exchange. From 1995 to 1997, Mr. Zhang served as an auditor of Anderson Consulting (Shanghai) Co., Ltd. Mr. Zhang received a bachelor's degree in international accounting from Shanghai University of Finance and Economics in 1995.

**Weibiao Zhan** has served as our director since 2018. Mr. Zhan has served as a deputy general manager in the investment and acquisition department of Tencent Holdings Limited since 2003. From 2000 to 2003, Mr. Zhan served as a corporate client services manager in Southern China region of Microsoft (China) Co., Ltd. From 1998 to 2000, Mr. Zhan served as a project manager of the development center in Kingdee Software (China) Co., Ltd. From 1997 to 1998, Mr. Zhan served as an assistant to department head at China Science and Technology Development Institute. Mr. Zhan received a bachelor's degree in engineering and economics from the South China University of Technology in 1997 and an Executive MBA from Hong Kong University of Science and Technology in 2011.

**Zhipeng Song** has served as a director of our company since 2018. Mr. Song has also served as a vice president of Shanghai Autohome since 2016. From 2014 to 2015, Mr. Song served as an assistant general manager of our company. From 2012 to 2014, he served a regional manager of Anji Leasing Co., Ltd. From 2010 to 2012, he served as an account manager of SAIC-GMAC Automotive Finance Co., Ltd. Mr. Song received a bachelor's degree in finance from Shanghai University in 2007 and a master's degree in finance and management from Loughborough University in 2008 and a master's degree in finance from University of St. Andrews in 2009.

### **Board of Directors**

Our board of directors will consist of \_\_\_\_\_ directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract or any proposed contract or arrangement in which he is interested, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered, provided (a) such director has declared the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first considered if he knows his interest then exists, or in any other case at the first meeting of the board after he knows he is or has become so interested, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

### **Duties of Directors**

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

The functions and powers of our board of directors include, among others:

- conducting and managing the business of our company;
- representing our company in contracts and deals;
- appointing attorneys for our company;
- select senior management such as managing directors and executive directors;
- providing employee benefits and pension;
- managing our company's finance and bank accounts;

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- exercising the borrowing powers of our company and mortgaging the property of our company; and
- exercising any other powers conferred by the shareholders meetings or under our amended and restated memorandum and articles of association.

### **Terms of Directors and Executive Officers**

Our directors may be elected by a resolution of our board of directors, or by an ordinary resolution of our shareholders, pursuant to our amended and restated memorandum and articles of association. Each of our directors will hold office until his or her successor takes office or until his or her earlier death, resignation or removal or the expiration of his or her term as provided in the written agreement with our company, if any. A director will cease to be a director if, among other things, the director (i) dies, or becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind, (iii) resigns his office by notice in writing to the company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his office be vacated. Our officers are elected by and serve at the discretion of the board of directors.

Pursuant to our shareholders agreement dated and our amended and restated memorandum and articles of associations, we have granted Eagle Central Holding Limited and Medway Brilliant Holding Limited the right to jointly elect, remove and replace four directors on our board of directors, and we have granted each of Warburg Pincus Cango Fintech Investment Company Limited, the Taikang Offshore Entities and Tencent Mobility Limited the right to elect, remove and replace one director on our board of directors. The board presentation rights are expected to be terminated upon completion of this offering. We also expect to adopt our post-offering memorandum and articles of associations immediately prior to the completion of this offering.

### **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. We will adopt a charter for each of the committees. Each committee's members and functions are described below.

#### ***Audit Committee***

Our audit committee will initially consist of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. \_\_\_\_\_ will be the chairperson of our audit committee. \_\_\_\_\_ satisfy the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ satisfies the requirements for an "independent director" within the meaning of \_\_\_\_\_ and will meet the criteria for independence set forth in Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Our audit committee will consist solely of independent directors within one year of this offering.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting the independent auditor;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditors;

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- reviewing with the independent auditor any audit problems or difficulties and management’s response;
- reviewing and, if material, approving all related party transactions on an ongoing basis;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

### ***Compensation Committee***

Our compensation committee will initially consist of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. \_\_\_\_\_ will be the chairperson of our compensation committee. Each of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ satisfies the requirements for an “independent director” within the meaning of \_\_\_\_\_.

Our compensation committee is responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
- reviewing and evaluating the performance of our directors and senior officers and determining the compensation of our senior officers;
- reviewing and approving our senior officers’ employment agreements with us;
- setting performance targets for our senior officers with respect to our incentive—compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and such other matters that are specifically delegated to the remuneration committee by our board of directors from time to time.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee will initially consist of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. \_\_\_\_\_ will be the chairperson of our nominating and corporate governance committee. Each of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ the requirements for an “independent director” within the meaning of \_\_\_\_\_. The nominating and corporate governance committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee will be responsible for, among other things:

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

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

In 2016, we and our subsidiaries and consolidated VIE paid aggregate cash compensation of approximately RMB3.9 million (US\$0.6 million) to our directors and executive officers as a group. We did not pay any other cash compensation or benefits in kind to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries and consolidated VIE are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and housing funds. Our board of directors may determine compensation to be paid to the directors and the executive officers. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors and the executive officers.

For information regarding share awards granted to our directors and executive officers, see “—Equity Incentive Plan.”

### **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, willful misconduct or gross negligence to our detriment, or serious breach of duty of loyalty to us. We may also terminate an executive officer’s employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and within two years after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our business partners, or the confidential or proprietary information of any third party received by us and for which we have confidential

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obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach financial institutions, dealers or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We intend to enter into indemnification agreements with each of our directors and executive officers. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

### **Equity Incentive Plan**

We currently do not have an equity incentive plan. We plan to adopt an equity incentive plan prior to the completion of this offering.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information as of the date of this prospectus with respect to the beneficial ownership of our ordinary shares by:

- each of our directors and executive officers; and
- each person known to us to own beneficially 5.0% or more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to, or the power to receive the economic benefit of ownership of, the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option or other right or the conversion of any other security.

We have agreed to issue an aggregate of 4,843,087 ordinary shares and 127,861,729 convertible preferred shares to certain of our shareholders. For further information, see “Description of Share Capital—History of Securities Issuance.” The following table gives effect to such share issuances.

The total number of ordinary shares outstanding as of the date of this prospectus is 252,831,716, assuming conversion of all convertible preferred shares into ordinary shares.

The total number of ordinary shares outstanding after completion of this offering will be \_\_\_\_\_, which is based upon (i) 124,969,987 ordinary shares outstanding as of the date of this prospectus; (ii) the automatic conversion of all convertible preferred shares into 127,861,729 ordinary shares; and (iii) \_\_\_\_\_ ordinary shares issued in connection with this offering (assuming the underwriters do not exercise their option to purchase additional ADSs), but excludes (i) ordinary shares issuable upon the exercise of outstanding share options, (ii) ordinary shares reserved for future issuance under our equity incentive plan and (iii) shares issuable upon exercise of an option which allows Links Advance Holdings Limited, which is controlled by the company that operates Didi Chuxing, to purchase additional shares and hold up to 20% of our total outstanding shares. The underwriters may choose to exercise the over-allotment option in full, in part or not at all.

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares Beneficially Owned After This Offering	
	Number	Percent	Number	Percent
<b>Directors and Executive Officers:*</b>				
Xiaojun Zhang <sup>(1)</sup>	39,442,798	15.6		
Jiayuan Lin <sup>(2)</sup>	61,166,577	24.2		
Langlang Zhou	—	—		
Zuyu Tan	—	—		
Yongyi Zhang	—	—		
Weibiao Zhan	—	—		
Zhipeng Song	—	—		
Directors and Executive Officers as a Group	100,609,376	39.8		
<b>Principal Shareholders</b>				
Medway Brilliant Holding Limited <sup>(3)</sup>	61,166,577	24.2		
Warburg Pincus <sup>(4)</sup>	53,431,125	21.1		
Eagle Central Holding Limited <sup>(5)</sup>	39,442,798	15.6		
Tencent Mobility Limited <sup>(6)</sup>	31,603,197	12.5		
Taikang Offshore Entities <sup>(7)</sup>	15,802,058	6.3		
Huaiyuan L.P. <sup>(8)</sup>	13,075,290	5.2		

\* The business address for our directors and executive officers is 10A, Building 3, Youyou Century Plaza, 428 South Yanggao Road, Pudong New Area, Shanghai 200127, People’s Republic of China.

(1) Represents 39,442,798 ordinary shares that are held by Eagle Central Holding Limited, or Eagle Central. Eagle Central is a limited liability company established in the British Virgin Islands that is controlled by Mr. Xiaojun Zhang. Eagle Central is further described in footnote 5 below.

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- (2) Represents (i) 39,882,922 ordinary shares that are held by Medway Brilliant Holding Limited, or Medway Brilliant, and (ii) 21,283,655 ordinary shares that are held by Xiehuai L.P. Medway Brilliant is a limited liability company established in the British Virgin Islands that is wholly owned by Mr. Jiayuan Lin. Xiehuai L.P. is a limited partnership established in the British Virgin Islands, of which Medway Brilliant is the general partner. Medway Brilliant and Xiehuai L.P. are further described in footnote 3 below.
- (3) Represents (i) 39,882,922 ordinary shares that are held by Medway Brilliant and (ii) 21,283,655 ordinary shares that are held by Xiehuai L.P. Medway Brilliant is a limited liability company established in the British Virgin Islands that is wholly owned by Mr. Jiayuan Lin. The registered address of Medway Brilliant is the offices of Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands. Xiehuai L.P. is a limited partnership established in the British Virgin Islands, of which Medway Brilliant is the general partner. The limited partners of Xiehuai L.P. include, among others, (i) Eagle Central, (ii) ZYY Holdings Limited, a limited liability company established in the British Virgin Islands that is wholly owned by Mr. Yongyi Zhang and (iii) SZP Holdings Limited, a limited liability company established in the British Virgin Islands that is wholly owned by Mr. Zhipeng Song. Eagle Central is further described in footnote 5 below. The registered address of Xiehuai L.P. is the offices of Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.
- (4) Represents 53,431,125 ordinary shares issuable upon conversion of 53,431,125 Series A-2 preferred shares held by Warburg Pincus Cango Fintech Investment Company Limited, a British Virgin Islands business company (“WP Cango”). The direct parents of WP Cango are (i) Warburg Pincus Private Equity XII, L.P., a Delaware limited partnership (“WP XII”), (ii) Warburg Pincus Private Equity XII-B, L.P., a Delaware limited partnership (“WP XII-B”), (iii) Warburg Pincus Private Equity XII-D, L.P., a Delaware limited partnership (“WP XII-D”), (iv) Warburg Pincus Private Equity XII-E, L.P., a Delaware limited partnership (“WP XII-E”), (v) WP XII Partners, L.P., a Delaware limited partnership (“WP XII Partners”), (vi) Warburg Pincus XII Partners, L.P., a Delaware limited partnership (“Warburg Pincus XII Partners” and, together with WP XII, WP XII-B, WP XII-D, WP XII-E and WP XII Partners, the “WP XII Funds”), (vii) Warburg Pincus China (Cayman), L.P., a Cayman Islands limited partnership (“WPC Cayman”), and (viii) Warburg Pincus China (Cayman) Partners, L.P., a Cayman Islands limited partnership (“Warburg Pincus China Cayman Partners” and, together with WPC Cayman, the “WPC Cayman Funds”). Warburg Pincus XII, L.P., a Delaware limited partnership (“WP XII GP”), is the general partner of the WP XII Funds. WP Global LLC, a Delaware limited liability company (“WP Global”), is the general partner of WP XII GP. Warburg Pincus Partners II, L.P., a Delaware limited partnership (“WPP II”), is the managing member of WP Global. Warburg Pincus Partners GP LLC, a Delaware limited liability company (“WPP GP”), is the general partner of WPP II. Warburg Pincus & Co., a New York general partnership (“WP”), is the managing member of WPP GP. Warburg Pincus (Cayman) China GP, L.P., a Cayman Islands limited partnership (“WPC Cayman GP”), is the general partner of the WPC Cayman Funds. Warburg Pincus (Cayman) China GP LLC, a Delaware limited liability company (“WPC Cayman GP LLC”), is the general partner of WPC Cayman GP. Warburg Pincus Partners II (Cayman), L.P., a Cayman Islands exempted limited partnership (“WPP II Cayman”), is the managing member of WPC Cayman GP LLC. Warburg Pincus (Bermuda) Private Equity GP Ltd., a Bermuda exempted company (“WP Bermuda”), is the general partner of WPP II Cayman. Charles R. Kaye and Joseph P. Landy are each (i) Managing General Partners of WP, (ii) Directors and Co-Chairmen of WP Bermuda, and (iii) the Managing Members and Co-Chief Executive Officers of Warburg Pincus LLC, a New York limited liability company (“WP LLC”), and may be deemed to control the Warburg Pincus entities. Messrs. Kaye and Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities. The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017, U.S.A.
- (5) Eagle Central is a limited liability company established in the British Virgin Islands that is controlled by Mr. Xiaojun Zhang. The registered address of Eagle Central is the offices of Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola VG1110, British Virgin Islands.
- (6) Represents 31,603,197 ordinary shares upon conversion of 31,603,197 Series B preferred shares held by Tencent Mobility Limited, a limited liability company established in Hong Kong. Tencent Mobility Limited

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is wholly owned by Tencent Holdings Limited, a public company listed on the Hong Kong Stock Exchange. The registered address of Tencent Mobility Limited is 29/F, Three Pacific Place, No.1 Queen's Road East, Wanchai, Hong Kong.

- (7) Represents (i) 7,901,029 ordinary shares upon conversion of 7,901,029 Series B preferred shares held by Magic Spark Inc., a limited liability company established in the Cayman Islands, and (ii) 7,901,029 ordinary shares upon conversion of 7,901,029 Series B preferred shares held by TK Autolink Inc., a limited liability company established in the Cayman Islands. Magic Spark Inc. is wholly owned by Taikang Life Insurance Co., Ltd., which in turn is wholly owned by Taikang Insurance Group Inc. TK Autolink Inc. is indirectly and ultimately controlled by Taikang Insurance Group Inc. Each of Taikang Life Insurance Co., Ltd. and Taikang Insurance Group Inc. is an insurance company established in the PRC. The registered address of Magic Spark Inc. is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The registered address of TK Autolink Inc. is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1 – 1002, Cayman Islands.
- (8) Represents 13,075,290 ordinary shares that are held by Huaiyuan L.P., a limited partnership established in the British Virgin Islands, of which SHOUYAN Holding Limited is the general partner. SHOUYAN Holding Limited is a limited liability company established in the British Virgin Islands that is wholly owned by Xu Shouyan. The limited partners of Huaiyuan L.P. are Medway Brilliant and Eagle Central. Medway Brilliant and Eagle Central are further described in footnotes 3 and 5 above, respectively. The registered address of Huaiyuan L.P. is the offices of Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola VG1110, British Virgin Islands.

Pursuant to a voting agreement entered into among Eagle Central, Medway Brilliant, Xiehuai L.P., Huaiyuan L.P. and five other shareholders in March 2018, Eagle Central and Medway Brilliant jointly exercise the voting power associated with the shares held by Xiehuai L.P., Huaiyuan L.P. and five other shareholders. As a result, Eagle Central and Medway Brilliant jointly exercise approximately 53.2% of the aggregate voting power of our issued and outstanding share capital as of the date of this prospectus. The voting agreement terminates automatically upon the completion of this offering, and the table above gives effect to such termination.

Pursuant to our shareholders agreement, Links Advance Holdings Limited has an option which allows it to purchase additional shares and hold up to 20% of our outstanding shares, after giving effect to such purchase. The agreement provides that the share purchase price will be determined based on a valuation in the range of 115% to 130% of the post-money valuation of our company immediately after the closing of the issuance of our Series B preferred shares in March 2018, subject to further agreement between us and Links Advance Holdings Limited. The option expires on April 30, 2018. Links Advance Holdings Limited holds 4,740,480 Series B preferred shares, representing 1.9% of our total outstanding shares as of the date hereof. Links Advance Holdings Limited is a limited liability company established in the British Virgin Islands and controlled by Xiaoju Keji Co., Ltd., which operates Didi Chuxing.

As of the date of this prospectus, none of our outstanding ordinary shares or convertible preferred shares is held by record holders in the United States. We are not aware of any of our shareholders being affiliated with a registered broker-dealer or being in the business of underwriting securities.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

### **Historical Changes in Our Shareholding**

See “Description of Share Capital—History of Securities Issuances” for historical changes in our shareholding.

## RELATED PARTY TRANSACTIONS

### Transactions with Jincheng Bank

We provide automotive financing facilitation services to Jincheng Bank. For additional information as to our collaboration with Jincheng Bank, see “Business—Our Relationships with Our Platform Participants—Financial Institutions.” Mr. Xiaojun Zhang, our co-founder and chairman, served as a director of Jincheng Bank from July 2014 to September 2017. As a result, Jincheng Bank was a related party during such period.

The average term of financing transactions funded by Jincheng Bank on our platform was approximately 33 months in 2016 and the nine months ended September 30, 2017. We recognized RMB287.3 million (US\$43.2 million) and RMB526.4 million (US\$79.1 million) of revenues relating to service fees for automotive financing facilitation services provided to Jincheng Bank in 2016 and the nine months ended September 30, 2017, respectively.

Amounts due from Jincheng Bank were RMB129.6 million (US\$19.5 million) as of December 31, 2016, relating to service fees for automotive financing facilitation services. Jincheng Bank was no longer a related party as of September 30, 2017, and account receivables due from Jincheng Bank were not included in amounts due from related parties as of September 30, 2017.

We purchased RMB185.8 million (US\$27.9 million) and RMB183.1 million (US\$27.5 million) of asset-backed securities issued by Jincheng Bank in 2016 and the nine months ended September 30, 2017, respectively.

### Transactions with Shanghai Autohome

We provide automotive financing facilitation services to Shanghai Autohome. We currently own 50% equity interest in Shanghai Autohome. Upon the completion of the Acquisition, we will own 75% of equity interest in Shanghai Autohome, which will become our consolidated subsidiary.

We recognized RMB32.1 million (US\$4.8 million) and RMB16.9 million (US\$2.5 million) of revenues relating to service fees for automotive financing facilitation services provided to Shanghai Autohome in 2016 and the nine months ended September 30, 2017, respectively.

Amounts due from Shanghai Autohome were RMB9.0 million (US\$1.3 million) and RMB1.3 million (US\$0.2 million) as of December 31, 2016 and September 30, 2017, respectively, relating to service fees for automotive financing facilitation services.

Amounts due to Shanghai Autohome were RMB0.5 million (US\$0.1 million) and RMB0.5 million (US\$0.1 million) as of December 31, 2016 and September 30, 2017, respectively, relating to deposits paid by Shanghai Autohome.

### Transactions with Other Equity Method Investees

We own 46% of equity interest in Hebei Jiahui Consultation Service Co., Ltd., or Hebei Jiahui, and we own 49% of equity interest in Liaoning Jun’an Automobile Consultation Service Co., Ltd., or Liaoning Jun’an. Hebei Jiahui and Liaoning Jun’an have ceased business operations, and we expect that such companies’ assets will be liquidated.

Amounts due to Hebei Jiahui were RMB0.7 million and RMB1.2 million (US\$0.2 million) as of December 31, 2016 and September 30, 2017, respectively, relating to interest-free loans to us.

Amounts due to Liaoning Jun’an were RMB3.3 million and RMB4.3 million (US\$0.6 million) as of December 31, 2016 and September 30, 2017, respectively, relating to interest-free loans to us.

### **Contractual Arrangements with Our Consolidated VIE and Its Shareholders**

PRC laws and regulations currently restrict foreign ownership and investment in VATS in China. As we plan to engage in VATS businesses, including cloud-based SaaS solutions for dealers, in the future, we currently conduct our operations mainly through our consolidated VIE and its subsidiaries. We effectively control the consolidated VIE through a series of contractual arrangements with the consolidated VIE, its shareholders and Can Gu Long. As a result, we operate our relevant business through contractual arrangements among Can Gu Long, our wholly-owned PRC subsidiary, Shanghai Cango, our consolidated VIE, and its shareholders. For a description of these contractual arrangements, see “Our History and Corporate Structure—Contractual Arrangements among Can Gu Long, Shanghai Cango and Its Shareholders.”

### **Transactions with Shareholders of Our Consolidated VIE**

Mr. Jiayuan Lin, our co-founder, chief executive officer and director, and Shanghai Wangjin Investment Management Co., Ltd., or Shanghai Wangjin, which is owned by Mr. Xiaojun Zhang, our co-founder and chairman, are both shareholders of our consolidated VIE.

Mr. Jiayuan Lin and Shanghai Wangjin have borrowed from us to purchase equity interest from other shareholders of our consolidated VIE who wished to sell such equity interest. Such borrowings bore floating rates of interest, and we expect such borrowings to be repaid prior to the completion of this offering.

Amounts due from Jiayuan Lin were RMB37.7 million and RMB78.3 million (US\$11.8 million) as of December 31, 2016 and September 30, 2017, respectively. We recognized interest income of RMB2.4 million and RMB2.0 million (US\$0.3 million) relating to interest due from Mr. Jiayuan Lin in 2016 and the nine months ended September 30, 2017, respectively.

Amounts due from Shanghai Wangjin were RMB31.8 million and RMB42.2 million (US\$6.4 million) as of December 31, 2016 and September 30, 2017, respectively. We recognized interest income of RMB0.9 million and RMB1.3 million (US\$0.2 million) relating to interest due from Shanghai Wangjin in 2016 and the nine months ended September 30, 2017, respectively.

### **Private Placements**

See “Description of Share Capital—History of Securities Issuances.”

### **Shareholders Agreement**

See “Description of Share Capital—Registration Rights.”

### **Employment Agreements and Indemnification Agreements**

See “Management—Employment Agreements and Indemnification Agreements.”

### **Equity Incentive Plan**

See “Management—Equity Incentive Plan.”

## DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), as amended, of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital was US\$50,000 divided into (i) ordinary shares of par value US\$0.0001 each, (ii) Series A-1 convertible preferred shares of par value US\$0.0001 each, (iii) Series A-2 convertible preferred shares of par value US\$0.0001 each, (iv) Series A-3 convertible preferred shares of par value US\$0.0001 and (iv) Series B convertible preferred shares of par value US\$0.0001 each.

As of the date of this prospectus, there were ordinary shares and convertible preferred shares issued and outstanding.

Upon the closing of this offering, we will have ordinary shares issued and outstanding (or ordinary shares if the underwriters exercise in full the over-allotment option), excluding (i) ordinary shares issuable upon the exercise of outstanding options under our equity incentive plan, (ii) ordinary shares reserved for future issuance under our equity incentive plan and (iii) shares issuable upon exercise of an option which allows Links Advance Holdings Limited, which is controlled by the company that operates Didi Chuxing, to purchase additional shares and hold up to 20% of our total outstanding shares, after giving effect to such purchase. All of our ordinary shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of our shares to be issued in the offering will be issued as fully paid. Our authorized share capital post-offering will be US\$ divided into ordinary shares with a par value of US\$0.0001 each.

Our amended and restated memorandum and articles of association will become effective upon completion of this offering. The following are summaries of material provisions of our amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

### Ordinary Shares

#### General

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

#### Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law, our articles of association and the common law of the Cayman Islands.

#### Voting Rights

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by poll.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes cast attached to the ordinary shares. An ordinary resolution is passed if it is signed by all shareholders entitled to vote at a general meeting holding a majority of the votes and a special resolution in writing of the shareholders is passed if it is signed by all shareholders entitled to vote at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our amended and restated memorandum and articles of association.

### ***Transfer of Ordinary Shares***

Subject to the restrictions contained in our amended and restated articles of association, as applicable, ordinary shares in our company are subject to transfer restrictions as set forth in the right of first refusal and co-sale agreement and the shareholders agreement, each by and among our company and certain of our shareholders. Our company will only register transfers of ordinary shares that are made in accordance with such agreements and will not register transfers of ordinary shares that are made in violation of such agreement. The right of first refusal and co-sale agreement and the transfer restrictions set forth in the shareholders agreement will terminate upon the closing of this offering.

### ***Liquidation***

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

### ***Redemption of Ordinary Shares***

Subject to the provisions of the Companies Law and other applicable law, we may issue shares on terms that are subject to redemption, at the option of the holders, on such terms and in such manner, including out of capital, as set out in our articles of association.

### ***Variations of Rights of Shares***

Subject to additional approvals required in our amended and restated articles of association, if at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of an ordinary resolution passed at a general meeting of, or sanction in writing of a majority of, the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a simple majority of the vote of all of the shares in that class. The rights conferred upon the holders of the shares or any class of shares shall not, unless otherwise expressly provided by the terms of issue of such shares, be deemed to be varied by the creation, redesignation, or issue of shares ranking *pari passu* with such shares.

### ***General Meetings of Shareholders***

Shareholders' meetings may be convened by a majority of our board of directors. Advance notice of at least 10 clear business days is required for the convening of any general meeting of our shareholders. A quorum required for a meeting of shareholders consists of the holders of a majority of the aggregate voting power of all of the ordinary shares together with the Major Series A Investors and the Major Series B Investors, each as defined in our amended and restated articles of association, present in person or by proxy.

### ***Inspection of Books and Records***

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However we provided in our articles of association a right for shareholders to inspect our register of members before a general meeting of our shareholders. See "Where You Can Find More Information."

### **Changes in Capital**

Subject to additional approvals required in our amended and restated articles of association, we may from time to time by ordinary resolution:

- increase our share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as we in general meeting may determine;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- by subdivision of our existing shares or any of them divide the whole or any part of our share capital into shares of smaller amount than is fixed by our amended and restated memorandum of association; or
- cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

We may by special resolution reduce our share capital or any capital redemption reserve fund in any manner permitted by law.

### **Exempted Company**

We are an exempted company with limited liability incorporated under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company. Upon the closing of this offering, we will be subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We currently intend to comply with the [NYSE/NASDAQ] rules in lieu of following home country practice after the closing of this offering. The [NYSE/NASDAQ] rules require that every company listed on the [NYSE/NASDAQ] hold an annual general meeting of shareholders. In addition, our amended and restated articles of association [allow] directors to call special meeting of shareholders pursuant to the procedures set forth in our articles.

### **Differences in Corporate Law**

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to United States

corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

### ***Mergers and Similar Arrangements***

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest of a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% in value of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

### ***Shareholders' Suits***

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

### ***Indemnification of Directors and Executive Officers and Limitation of Liability***

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### ***Anti-Takeover Provisions in the Memorandum and Articles of Association***

Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable.

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

### ***Directors' Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

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As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

### ***Shareholder Action by Written Consent***

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Our amended and restated articles of association provide that shareholders may approve corporate matters by way of a majority written resolution in respect of an ordinary resolution or a unanimous written resolution in respect of a special resolution signed by or on behalf of the requisite number of shareholders who would have been entitled to vote on such matter at a general meeting without a meeting being held.

### ***Shareholder Proposals***

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings or allow our shareholders to requisition a shareholders' meeting. Our amended and restated articles of association allow our shareholders to requisition shareholders' meetings.

### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our amended and restated articles of association, a director may be removed by ordinary resolution of the shareholders.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations

with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into *bona fide* in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

#### ***Dissolution; Winding Up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law, our company may be dissolved, liquidated or wound up while it is able to pay its debts as they fall due by the vote of holders of two-thirds of our shares voting at a meeting or the unanimous written resolution of all shareholders.

#### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of an ordinary resolution passed at a general meeting or sanction in writing of a majority of the holders of the shares of that class.

#### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our amended and restated memorandum and articles of association may be amended by special resolution or the unanimous written resolution of all shareholders in addition to further approvals required under our amended and restated articles of association.

#### ***Rights of Non-Resident or Foreign Shareholders***

There are no limitations imposed by our amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

### ***Directors' Power to Issue Shares***

Subject to applicable law and the requisite approvals required under our amended and restated memorandum and articles of association, our board of directors is empowered to issue or allot our ordinary shares with preferred, deferred, qualified and other special rights and restrictions set out in our amended and restated articles of association and grant options or warrants over the same.

### **History of Securities Issuances**

The following is a summary of our securities issuances since January 2015. None of transactions set forth below involved any underwriters' underwriting discounts or commissions, or any public offering. We believe that each of the following transactions was exempt from registration under the Securities Act in reliance on Regulation S or Rule 701 under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering.

#### ***Subscription of Registered Capital of Shanghai Cango***

In May 2017, Warburg Pincus Financial Global Ltd. subscribed for RMB37.3 million of Shanghai Cango's registered capital for consideration of RMB500.0 million. In July 2017, an investor subscribed for RMB9.5 million of Shanghai Cango's registered capital for consideration of RMB200.0 million.

In December 2017, the Taikang Onshore Entities (including Taikang Life Insurance Co., Ltd. and Shandong Guokong Taikang Industrial Development Fund I L.P.) subscribed for RMB14.6 million of Shanghai Cango's registered capital for consideration of RMB500.0 million.

In January 2018, five investors, including Tencent Mobility Limited, subscribed for RMB38.0 million of Shanghai Cango's registered capital for consideration of RMB1.3 billion.

#### ***Securities Issuances by Us***

In the fourth quarter of 2017, five investors, including Medway Brilliant Holding Limited, Eagle Central Holding Limited, Xiehuai L.P. and Huaiyuan L.P., subscribed for 120,126,900 of our ordinary shares for consideration of US\$12,013. We have agreed to issue 4,843,087 of our ordinary shares to four investors, including Eagle Central Holding Limited, Xiehuai L.P. and Huaiyuan L.P., for consideration of US\$484 prior to the completion of this offering.

We have agreed to issue 53,431,125 of our Series A-1 preferred shares to Warburg Pincus Cango Fintech Investment Company Limited for consideration of US\$5,343, 2,179,215 of our Series A-2 preferred shares to an investor for consideration of \$218 and 10,308,663 of our Series A-3 preferred shares to an investor for consideration of \$1,031 prior to the completion of this offering.

We have agreed to issue 61,942,726 of our Series B preferred shares to nine investors, including Tencent Mobility Limited and the Taikang Offshore Entities (including Magic Spark Inc. and TK Autolink Inc.), for consideration of US\$6,194 prior to the completion of this offering.

#### **Non-Compete**

Pursuant to the shareholders agreement, for so long as Mr. Xiaojun Zhang, Mr. Jiayuan Lin, or any of the three British Virgin Islands limited partnerships, Huaiyuan L.P., Minghuai L.P., and Xiehuai L.P., hold an equity interest in our company and until the later of (i) two years after Mr. Zhang, Mr. Lin and the three British Virgin Islands limited partnerships cease to be a shareholder, director or employee, as applicable, of us or certain of our subsidiaries and (ii) the consummation of a qualified initial public offering, each of Mr. Zhang, Mr. Lin and their respective wholly-owned holding companies shall not, and shall cause, among others, certain of their family

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members, our senior management, certain of our directors, and the key employees of our subsidiaries not to, directly or indirectly, (a) own, manage, engage in, operate, control, work for, consult with, render services for, do business with, provide financial assistance to maintain any interest in, or participate in the ownership, management, operation or control of, any business that is related to or otherwise competes with the business operations of us and our subsidiaries, (b) solicit any customer or potential customer of us or our subsidiaries for the purpose of offering to such customer goods or services similar to or competing with those offered by us and our subsidiaries, or canvass or solicit any past or potential supplier, agent, licensor, customer of us or our subsidiaries for the purpose of inducing any such person to terminate or to avoid from maintaining or entering into a business relationship with us or our subsidiaries, (c) solicit or entice away any director, officer, consultant or employee of us or our subsidiaries, or endeavor to do so, (d) execute any agreement, make any covenant or take any other arrangement that restrains or prejudices the conduct of then current business by us or our subsidiaries, or is likely to do so.

### **Registration Rights**

Pursuant to our shareholders agreement entered into in March 2018, we have granted certain registration rights to holders of our registrable securities. Set forth below is a description of the registration rights under this agreement.

#### ***Demand Registration Rights***

At any time or from time to time after the date that is six (6) months after the closing of this offering, holders of twenty percent (20%) or more of the voting power of the registrable securities then outstanding have the right to demand that we effect a registration under the Securities Act covering the registration of all or part of their registrable securities, so long as the anticipated aggregate offering price net of underwriting discounts and commissions of the securities to be sold under the registration statement exceeds US\$10,000,000. We, however, are not obligated to effect a demand registration if we have already effected two demand registrations, unless less than all of the registrable securities sought to be included in the demand registration were sold.

#### ***Form F-3/S-3 Demand Registration Rights***

When eligible for use of form F-3/S-3, holders of ten percent (10%) or more of the voting power of the registrable securities then outstanding have the right to demand that we file a registration statement on Form F-3/S-3 (or any comparable form for registration in a jurisdiction other than the U.S.). Registration pursuant to Form F-3/S-3 registration rights is deemed to be a demand registration, and there is no limit on the number of times the holders may exercise their Form F-3/S-3 registration rights. We, however, are not obligated to effect a registration on Form F-3/S-3 if, among other things, we have already effected two such registrations within any twelve-month period preceding the date of the registration request, unless less than all of the registrable securities sought to be included in the Form F-3/S-3 registration were sold due to marketing factors requiring limitation of the number of registrable securities to be underwritten upon the advice of the managing underwriter, or for any reason other than solely due to the action or inaction of their holder.

#### ***Piggyback Registration Rights***

If we propose to file a registration statement in connection with a public offering of securities of our company other than relating to an employee share option plan, corporate reorganization or transaction under Rule 145 of the Securities Act, or on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities and does not permit secondary sales, then we must offer each holder of the registrable securities the opportunity to include their shares in the registration statement. Registration pursuant to piggyback registration rights is not deemed to be a demand registration, and there is no limit on the number of times the holders may exercise their piggyback registration rights.

***Expenses of Registration***

We will pay all expenses, including the underwriting discounts and selling commissions applicable to the sale of the registrable securities, as well as all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for our company and fees and disbursement of one counsel for all selling holders, incurred in connection with any piggyback registration or demand registration, whether or not on Form F-3/S-3. We will not, however, be required to pay for any expenses of any registration proceeding begun pursuant to demand registration rights, whether or not on Form F-3/S-3, if the registration request is subsequently withdrawn by the holders of no less than a majority of the voting power of the registrable securities requested to be registered, subject to certain exceptions.

***Termination of Registration Rights***

The registration rights discussed above shall terminate on the earlier of (i) the date that is three (3) years from the date of closing of a qualified initial public offering, and (ii) with respect to any holder, the date on which such holder may sell all of its registrable securities under Rule 144 of the Securities Act in any ninety (90)-day period.

## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Shares

, as depositary, will register and deliver the ADSs. Each ADS will represent an ownership interest in ordinary shares deposited with, as custodian for the depositary. Each ADS will also represent an ownership interest in any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at . The principal executive office of the depositary is located at .

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have a shareholder's rights. Cayman Islands law governs shareholders' rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have an ADS holder's rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holders' rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find More Information."

### Holding the ADSs

#### *How will you hold your ADSs?*

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in the DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

### Dividends and Other Distributions

#### *How will you receive dividends and other distributions on the shares?*

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- **Shares.** The depositary may, upon our timely instruction, distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell ordinary shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.
- **Elective Distributions in Cash or Shares.** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.
- **Rights to Purchase Additional Shares.** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions.** Subject to receipt of timely notice from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with

cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depositary will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for ordinary shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled “Shares Eligible for Future Sale—Lock-up Agreements.”

### ***How do ADS holders cancel an American Depositary Share?***

You may turn in your ADSs at the depositary’s corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

### ***How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?***

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

## **Voting Rights**

### ***How do you vote?***

You may instruct the depositary to vote the deposited securities. Otherwise, you won’t be able to exercise your right to vote unless you withdraw the ordinary shares your ADSs represent. However, you may not know about the meeting enough in advance to withdraw the ordinary shares.

If we ask for your instructions and upon timely notice from us, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the ordinary shares or other deposited securities

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underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our constitutive documents, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the ordinary shares underlying your ADSs are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon sufficiently in advance of the meeting date.

### **Fees and Expenses**

#### **Persons Depositing or Withdrawing Shares Must Pay:**

\$0.05 (or less) per ADS

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the ordinary shares had been deposited for issuance of ADSs

\$0.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

#### **For:**

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any distribution of cash proceeds to you
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
- Depositary services
- Transfer and registration of ordinary shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw ordinary shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars

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### **Persons Depositing or Withdrawing Shares Must Pay:**

Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or share underlying an ADS, including any applicable interest and penalties thereon and any share transfer or other taxes or governmental charges, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

### **For:**

- As necessary
- As necessary

, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

### **Reclassifications, Recapitalizations and Mergers**

#### **If we:**

- Change the nominal or par value of our ordinary shares
- Reclassify, split up or consolidate any of the deposited securities
- Distribute securities on the ordinary shares that are not distributed to you or Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

#### **Then:**

- The cash, shares or other securities received by the depositary will become deposited securities
- Each ADS will automatically represent its equal share of the new deposited securities
- The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities

## **Amendment and Termination**

### ***How may the deposit agreement be amended?***

We may agree with the depository to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depository for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depository notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

### ***How may the deposit agreement be terminated?***

The depository will terminate the deposit agreement if we ask it to do so, in which case the depository will give notice to you at least 90 days prior to termination. The depository may also terminate the deposit agreement if the depository has told us that it would like to resign and we have not appointed a new depository within 90 days. In such case, the depository must notify you at least 30 days before termination.

After termination, the depository and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depository may sell any remaining deposited securities by public or private sale. After that, the depository will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depository's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depository and to pay fees and expenses of the depository that we agreed to pay.

## **Books of Depository**

The depository will maintain ADS holder records at its depository office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depository will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depository or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

## **Limitations on Obligations and Liability**

### ***Limits on our Obligations and the Obligations of the Depository; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depository. It also limits our liability and the liability of the depository. We and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;

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- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the creditworthiness of any third party, or for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### **Requirements for Depositary Actions**

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

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The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

### **Your Right to Receive the Shares Underlying Your ADSs**

You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### **Pre-release of ADSs**

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such ordinary shares or ADSs to the depositary for the benefit of the owners, (c) will not take any action with respect to such ordinary shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such ordinary shares or ADSs in its records and (e) unconditionally guarantees to deliver such ordinary shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

### **Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/ Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain

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that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon closing of this offering, we will have ADSs outstanding representing approximately \_\_\_\_\_ % of our ordinary shares (or ADS outstanding representing approximately \_\_\_\_\_ % of our ordinary shares if the underwriters exercise in full the over-allotment option). In addition, options to purchase an aggregate of approximately \_\_\_\_\_ ordinary shares will be outstanding as of the closing of this offering.

All of the ADSs sold in this offering and the ordinary shares they represent will be freely transferable by persons other than our “affiliates” without restriction or further registration under the Securities Act. Rule 144 of the Securities Act defines an “affiliate” of a company as a person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, our company. All outstanding ordinary shares prior to this offering are “restricted securities” as that term is defined in Rule 144 because they were issued in a transaction or series of transactions not involving a public offering. Restricted securities, in the form of ADSs or otherwise, may be sold only if they are the subject of an effective registration statement under the Securities Act or if they are sold pursuant to an exemption from the registration requirement of the Securities Act such as those provided for in Rules 144 or 701 promulgated under the Securities Act, which rules are summarized below. Restricted ordinary shares may also be sold outside of the United States to non-U.S. persons in accordance with Rule 904 of Regulation S under the Act. This prospectus may not be used in connection with any resale of our ADSs acquired in this offering by our affiliates.

Pursuant to Rule 144, ordinary shares will be eligible for sale at various times after the date of this prospectus, subject to the lock-up agreements.

Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ordinary shares or ADSs, and while our application has been made to list our ADSs on the [NYSE/NASDAQ], we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by ADSs.

### Lock-up Agreements

[We, our directors, executive officers and our existing shareholders] have agreed, subject to some exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ordinary shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our ordinary shares, in the form of ADSs or otherwise, for a period of 180 days after the date this prospectus becomes effective. After the expiration of the 180-day period, the ordinary shares or ADSs held by our directors, executive officers or existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

### Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned our restricted securities for at least six months is entitled to sell the restricted securities without registration under the Securities Act, subject to certain restrictions. Persons who are our affiliates (including persons beneficially owning 10% or more of our outstanding shares) may sell within any three-month period a number of restricted securities that does not exceed the greater of the following:

- 1% of the number of our ordinary shares then outstanding, in the form of ADSs or otherwise, which will equal approximately \_\_\_\_\_ ordinary shares immediately after this offering; and
- the average weekly trading volume of our ADSs on the [NYSE/NASDAQ] during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Such sales are also subject to manner-of-sale provisions, notice requirements and the availability of current public information about us. The manner-of-sale provisions require the securities to be sold either in “brokers’ transactions” as such term is defined under the Securities Act, through transactions directly with a market maker as such term is defined under the Exchange Act or through a riskless principal transaction as described in Rule 144. In addition, the manner-of-sale provisions require the person selling the securities not to solicit or arrange for the solicitation of orders to buy the securities in anticipation of or in connection with such transaction or make any payment in connection with the offer or sale of the securities to any person other than the broker or dealer who executes the order to sell the securities. If the amount of securities to be sold in reliance upon Rule 144 during any period of three months exceeds 5,000 shares or other units or has an aggregate sale price in excess of US\$50,000, three copies of a notice on Form 144 should be filed with the SEC. If such securities are admitted to trading on any national securities exchange, one copy of such notice also must be transmitted to the principal exchange on which such securities are admitted. The Form 144 should be signed by the person for whose account the securities are to be sold and should be transmitted for filing concurrently with either the placing with a broker of an order to execute a sale of securities or the execution directly with a market maker of such a sale.

Persons who are not our affiliates and have beneficially owned our restricted securities for more than six months but not more than one year may sell the restricted securities without registration under the Securities Act subject to the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted securities for more than one year may freely sell the restricted securities without registration under the Securities Act.

### **Rule 701**

Beginning 90 days after the date of this prospectus, persons other than affiliates who purchased ordinary shares under a written compensatory plan or contract may be entitled to sell such shares in the United States in reliance on Rule 701 under the Securities Act, or Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 subject only to its manner-of-sale requirements. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

### **Registration Rights**

Upon closing of this offering, the holders of \_\_\_\_\_ of our ordinary shares or their transferees (or the holders of our ordinary shares or their transferees if the underwriters exercise in full the over-allotment option) will be entitled to request that we register their ordinary shares under the Securities Act, following the expiration of the lock-up agreements described above. See “Description of Share Capital—Registration Rights.”

## TAXATION

The following is a general summary of certain Cayman Islands, People's Republic of China and United States federal income tax consequences relevant to an investment in our ADSs and ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares.

### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of our ADSs and ordinary shares. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

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

In March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law, which became effective on January 1, 2008. The Enterprise Income Tax Law provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules of the Enterprise Income Tax Law further define the term "de facto management body" as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise. While we do not consider our company or any of our overseas subsidiaries to be a PRC resident enterprise, there is a risk that the PRC tax authorities may deem our company or any of our overseas subsidiaries as a PRC resident enterprise since a substantial majority of the members of our management team as well as the management team of some of our overseas subsidiaries are located in China, in which case we or the overseas subsidiaries, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income. If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and a 10% tax would be imposed with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs. Furthermore, dividends paid to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax at a rate of 20% (which in the case of dividends may be withheld at source). Any PRC tax liability may be reduced by an applicable tax treaty. However, it is unclear whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

The following discussion describes certain United States federal income tax consequences of the purchase, ownership and disposition of our ADSs and ordinary shares as of the date hereof. This discussion deals only with ADSs and ordinary shares that are held as capital assets by a United States Holder (as defined below).

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As used herein, the term “United States Holder” means a beneficial owner of our ADSs or ordinary shares that is, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. In addition, this discussion is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This discussion does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ADSs or ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock by vote or value;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose “functional currency” is not the United States dollar.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our ADSs or ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or ordinary shares, you should consult your tax advisors.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net

investment income or the effects of any state, local or non-United States tax laws. **If you are considering the purchase of our ADSs or ordinary shares, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of our ADSs or ordinary shares, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.**

## ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to United States federal income tax.

## Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes, as discussed above under “—People’s Republic of China Taxation”) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the ADSs or ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not, however, expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend.

Any dividends that you receive (including any withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which we have applied to list on the [NYSE/NASDAQ]) will be readily tradable on an established securities market in the United States once they are so listed. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for these reduced tax rates. Since we do not expect that our ordinary shares will be listed on an established securities market in the United States, we do not believe that dividends that we pay on our common shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, we may be eligible for the benefits of the income tax treaty between the United States and PRC, or the Treaty, and if we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by ADSs, would be eligible for reduced rates of taxation. See “Taxation—People’s Republic of China Taxation.” Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

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Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company in the taxable year in which such dividends are paid or in the preceding taxable year (see “—Passive Foreign Investment Company” below).

Subject to certain conditions and limitations (including a minimum holding period requirement), any PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Distributions of ADSs, ordinary shares or rights to subscribe for ADSs or ordinary shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

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

Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the expected price of our ADSs in this offering), we do not believe we were a passive foreign investment company (a “PFIC”) for our most recent taxable year, and we do not expect to become a PFIC in the current taxable year or in the foreseeable future, although there can be no assurance in this regard.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, income equivalent to interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). Cash is treated as an asset that produces or is held for the production of passive income. If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income. However, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIE for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of our consolidated VIE. If it is determined, contrary to our view, that we do not own the equity of our consolidated VIE for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

The determination of whether we are a PFIC is made annually. Accordingly, we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the market value of our ADSs, a decrease in the price of our ADSs may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and you do not make a timely mark-to-market election, as described below, you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a pledge, of ADSs or ordinary shares. Distributions received in a taxable year will be treated as excess distributions to the

extent that they are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our ADSs or ordinary shares, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold the ADSs or ordinary shares (even if we do not qualify as a PFIC in such subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your ADSs or ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. You are urged to consult your own tax advisor about this election.

In lieu of being subject to the special tax rules discussed above, you may make a mark-to-market election with respect to your ADSs or ordinary shares provided such ADSs or ordinary shares are treated as “marketable stock.” The ADSs or ordinary shares generally will be treated as marketable stock if the ADSs or ordinary shares are regularly traded on a “qualified exchange or other market” (within the meaning of the applicable Treasury regulations). Under current law, the mark-to-market election may be available to holders of ADSs once the ADSs are listed on [NYSE/NASDAQ] which constitutes a qualified exchange, although there can be no assurance that the ADSs will be “regularly traded” for purposes of the mark-to-market election. It is intended that only the ADSs and not the ordinary shares will be listed on [NYSE/NASDAQ]. Consequently, if you are a holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC you will include as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted tax basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your adjusted tax basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, upon the sale or other disposition of your ADSs in a year that we are a PFIC, any gain will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or other market, or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, U.S. taxpayers can sometimes avoid the special tax rules described above by electing to treat a PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of

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the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. You will not be able to make the mark-to-market election described above in respect of any lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

You will generally be required to file Internal Revenue Service Form 8621 if you hold our ADSs or ordinary shares in any year in which we are a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are a PFIC in any taxable year.

### ***Taxation of Capital Gains***

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of the ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. Subject to the discussion under “—Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the ADSs or ordinary shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax were imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain under the Treaty. If you are not eligible for the benefits of the Treaty or if you fail to make the election to treat any gain as PRC source, then you generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources.

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

In general, information reporting will apply to dividends in respect of our ADSs or ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

## UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the ADSs being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of ADSs indicated in the following table. Morgan Stanley & Co. International plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs (Asia) L.L.C., are acting as joint book-running managers of this offering [and as the representatives of the underwriters]. The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom. The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, NY 10036, United States of America. The address of Goldman Sachs (Asia) L.L.C. is 68th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

Underwriters	Number of ADSs
Morgan Stanley & Co. International plc	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman Sachs (Asia) L.L.C.	
Total	

The underwriters are offering the ADSs subject to their acceptance of the ADSs from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated, severally and not jointly, to take and pay for all of the ADSs offered by this prospectus if any such ADSs are taken, other than the ADSs covered by the underwriters’ option to purchase additional ADSs described below.

The underwriters initially propose to offer part of the ADSs directly to the public at the public offering price listed on the cover of this prospectus and part of the ADSs to certain dealers at a price that represents a concession not in excess of US\$ \_\_\_\_\_ per ADS under the public offering price. After the initial offering of the ADSs, the offering price and other selling terms may from time to time be varied by the underwriters.

Certain of the underwriters are not broker-dealers registered with the SEC. Therefore, to the extent they intend to make any offers or sales of ADSs in the United States, they will do so only through one or more registered broker-dealers in compliance with applicable securities law and regulations, and FINRA rules. Morgan Stanley & Co. International plc will offer ADSs in the United States through its registered broker-dealer affiliate in the United States, Morgan Stanley & Co. LLC. Goldman Sachs (Asia) L.L.C. will offer ADSs in the United States through its registered broker-dealer affiliate in the United States, Goldman Sachs & Co. LLC.

### Option to Purchase Additional ADSs

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional \_\_\_\_\_ ADSs from us at the offering price listed on the cover of this prospectus, less underwriting discounts and commissions. To the extent the option is exercised, each underwriter will become severally obligated, subject to certain conditions, to purchase additional ADSs approximately proportionate to each underwriter’s initial amount reflected in the table above.

### Commissions and Expenses

Total underwriting discounts and commissions to be paid to the underwriters represent \_\_\_\_\_ % of the total amount of the offering. The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase additional ADSs.

	Total		
	Per ADS	No Exercise	Full Exercise
Discounts and commissions paid by us	US\$	US\$	US\$

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We have agreed to pay all fees and expenses that we occur in connection with the offering. [We have agreed to reimburse the underwriters for certain expenses up to US\$ relating to clearance of this offering with the Financial Industry Regulatory Authority, Inc.]

### **Lock-Up Agreements**

[We have agreed that, without the prior written consent of the representatives of the underwriters, we will not, during the period ending 180 days after the date of this prospectus, (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for such ordinary shares or ADSs or enter into a transaction which would have the same effect; (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; (iii) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in the ordinary shares or ADSs within the meaning of Section 16 of the Exchange Act; (iv) file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs; or (v) publicly disclose the intention to make any offer, sale, pledge, disposition or filing, in each case regardless of whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise.

The restrictions described in the preceding paragraph do not apply to (A) the sale of the ADSs and the ordinary shares represented by such ADSs in this offering; (B) the issuance of ordinary shares or ADSs or the grant of restricted shares, restricted ADSs or options to purchase ordinary shares under our equity incentive plan; and (C) the issuance by us of ordinary shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing or which is otherwise described in this prospectus.

[Each of our directors, executive officers and our existing shareholders] has agreed that, without the prior written consent of the representatives of the underwriters, it will not, during the period ending 180 days after the date of this prospectus, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, or file, or participate in the filing of, a registration statement with the SEC in respect of, any ordinary shares or ADSs, or any options or warrants to purchase any ordinary shares or ADSs, or any securities convertible into, exchangeable for or that represent the right to receive ordinary shares or ADSs, whether now owned or hereinafter acquired, owned directly by our directors, executive officers and our existing shareholders (including holding as a custodian) or with respect to which they have beneficial ownership within the rules and regulations of the SEC. The foregoing restriction is expressly agreed to preclude each of our directors, executive officers, and existing shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of his or her securities even if such securities would be disposed of by someone other than themselves. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, swap or sale or grant of any right (including without limitation any put or call option) with respect to any of their securities or with respect to any security that includes or relates to, or derives any significant part of its value from such ordinary shares or ADSs. The restrictions above are subject to certain customary exceptions.

In addition, through a letter agreement, we will instruct , as depository, not to accept any deposit of any ordinary shares or deliver any ADSs until after 180 days following the date of this prospectus unless we consent to such deposit or issuance. We will not provide such consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares.

The representatives of the underwriters, in their sole discretion, on behalf of the underwriters may release the ADSs and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.]

**[New York Stock Exchange] / [NASDAQ] Listing**

The ADSs have been approved for listing on the [New York Stock Exchange]/[NASDAQ] under the symbol .

**Stabilization, Short Positions and Penalty Bids**

In connection with the offering, the underwriters may purchase and sell ADSs in the open market.

These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional ADSs in the offering. The underwriter may close out any covered short position by either exercising their option to purchase additional ADSs or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase additional ADSs pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option.

The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for, or purchases of, ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discounts received by it because the representatives have repurchased ADSs sold by, or for the account of, such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the ADSs, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the ADSs. As a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities, and if these activities are commenced, they are required to be conducted in accordance with applicable laws and regulations, and any of these activities may be discontinued at any time. These transactions may be effected on the [New York Stock Exchange]/[NASDAQ], the over-the-counter market or otherwise.

**Electronic Distribution**

A prospectus in electronic format will be made available on the websites maintained by one or more of the underwriters or one or more securities dealers. One or more of the underwriters may distribute prospectuses electronically. The underwriters may agree to allocate a number of ADSs for sale to their online brokerage account holders. ADSs to be sold pursuant to an internet distribution will be allocated on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to online brokerage account holders.

**Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

## **Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, investment research, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates may have, from time to time, performed, and may in the future perform, various financial advisory, commercial and investment banking services and other services for us and to persons and entities with relationships with us, for which they received or will receive customary fees and commissions.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us and/or persons and entities with relationships with us. The underwriters and their respective affiliates may also make or communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Pricing of the Offering**

Prior to this offering, there has been no public market for our ordinary shares or the ADSs. The initial public offering price was determined by negotiations between us and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the ADSs, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses. An active trading market for the ADSs may not develop. It is also possible that after the offering the ADSs will not trade in the public market at or above the initial public offering price.

## **Selling Restrictions**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the ADSs, or the possession, circulation or distribution of this prospectus or any other material relating to us or the ADSs in any jurisdiction where action for that purpose is required.

Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other material or advertisements in connection with the ADSs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

## **Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the ADSs may only be made to persons, or the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investor” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the ADSs without disclosure to investors under Chapter 6D of the Corporations Act.

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The ADSs applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring ADSs must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### ***Canada***

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Cayman Islands***

This prospectus is not intended to constitute a public offer of the ADSs or ordinary shares, whether by way of sale or subscription, in the Cayman Islands. No offer or invitation may be made to the public in the Cayman Islands to subscribe for or purchase the ordinary shares or any ADS. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or ordinary shares in the Cayman Islands.

### ***Dubai International Finance Center***

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale.

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Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, or each a Relevant Member State, an offer to the public of any ADSs may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any ADSs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the ADSs shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any ADSs to be offered so as to enable an investor to decide to purchase any ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **Hong Kong**

The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### **Indonesia**

This prospectus does not, and is not intended to, constitute a public offering in Indonesia under Law Number 8 of 1995 regarding Capital Market. This prospectus may not be distributed in the Republic of Indonesia and the ADSs may not be offered or sold in the Republic of Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesia residents, in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

**Israel**

In the State of Israel, the ADSs offered hereby may not be offered to any person or entity other than the following:

- a fund for joint investments in trust (i.e., mutual fund), as such term is defined in the Law for Joint Investments in Trust, 5754-1994, or a management company of such a fund;
- a provident fund as defined in Section 47(a)(2) of the Income Tax Ordinance of the State of Israel, or a management company of such a fund;
- an insurer, as defined in the Law for Oversight of Insurance Transactions, 5741-1981, a banking entity or satellite entity, as such terms are defined in the Banking Law (Licensing), 5741-1981, other than a joint services company, acting for their own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as a portfolio manager, as such term is defined in Section 8(b) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- a company that is licensed as an investment advisor, as such term is defined in Section 7(c) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account;
- a company that is a member of the Tel Aviv Stock Exchange, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;
- an underwriter fulfilling the conditions of Section 56(c) of the Securities Law, 5728-1968;
- a venture capital fund (defined as an entity primarily involved in investments in companies which, at the time of investment, (i) are primarily engaged in research and development or manufacture of new technological products or processes and (ii) involve above-average risk);
- an entity primarily engaged in capital markets activities in which all of the equity owners meet one or more of the above criteria; and
- an entity, other than an entity formed for the purpose of purchasing the ADSs in this offering, in which the shareholders equity (including pursuant to foreign accounting rules, international accounting regulations and U.S. generally accepted accounting rules, as defined in the Securities Law Regulations (Preparation of Annual Financial Statements), 1993) is in excess of NIS 250 million.

Any offeree of the ADSs offered hereby in the State of Israel shall be required to submit written confirmation that it falls within the scope of one of the above criteria. This prospectus will not be distributed or directed to investors in the State of Israel who do not fall within one of the above criteria.

**Japan**

No registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended), or the FIEL, has been made or will be made with respect to the solicitation of the application for the acquisition of the ADSs.

Accordingly, the ADSs have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements, and otherwise in compliance with, the FIEL and the other applicable laws and regulations of Japan.

***Korea***

The ADSs may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The ADSs have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the ADSs may not be resold to Korean residents unless the purchaser of the ADSs complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the ADSs.

***Kuwait***

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 “Regulating the Negotiation of Securities and Establishment of Investment Funds”, its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the ADSs, these may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document), nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

***Malaysia***

The offering of the ADSs has not been and will not be approved by the Securities Commission Malaysia, or SC, and this document has not been and will not be registered as a prospectus with the SC under the Malaysian Capital Markets and Services Act 2007, or CMSA. Accordingly, no ADSs or invitation to purchase is being made to any person in Malaysia under this document except to persons falling within any of paragraphs 2(g)(i) to (xi) of Schedule 5 of the CMSA and distributed only by a holder of a Capital Markets Services License who carries on the business of dealing in securities.

***People’s Republic of China***

This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not offer or sell to any person for re-offering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

***Philippines***

**THE ADSS BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES, OR THE SRC. ANY FUTURE OFFER OR SALE OF THE ADSS WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS A TRANSACTION EXEMPT FROM THE REGISTRATION UNDER THE SRC.**

Accordingly, this prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the ADSs, may not be circulated or distributed in the Philippines, and the ADSs may not be offered or sold, or be made the subject of an invitation for subscription or purchase, to persons in the Philippines, other than (i) to qualified investors in transactions that are exempt from the registration requirements of the SRC; and (ii) by persons licensed to make such offers or sales in the Philippines.

***Qatar***

In the State of Qatar, the offer contained herein is made on an exclusive basis to the specifically intended recipient thereof, upon that person’s request and initiative, for personal use only and shall in no way be construed

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as a general offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. This prospectus and the underlying securities have not been approved or licensed by the Qatar Central Bank or the Qatar Financial Center Regulatory Authority or any other regulator in the State of Qatar. The information contained in this prospectus shall only be shared with any third parties in Qatar on a need to know basis for the purpose of evaluating the contained offer. Any distribution of this prospectus by the recipient to third parties in Qatar beyond the terms hereof is not permitted and shall be at the liability of such recipient.

### ***Saudi Arabia***

This prospectus may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this prospectus you should consult an authorized financial adviser.

### ***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA, except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Switzerland**

The ADSs may not be offered or sold to any investors in Switzerland other than on a non-public basis. This prospectus does not constitute a prospectus within the meaning of Article 652a and Art. 1156 of the Swiss Code of Obligations (Schweizerisches Obligationenrecht). Neither this offering nor the ADSs have been or will be approved by any Swiss regulatory authority.

### **Taiwan**

The ADSs have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the ADSs in Taiwan through a public offering or in such an offering that require registration, filing or approval of the Financial Supervisory Commission of Taiwan except pursuant to the applicable laws and regulations of Taiwan and the competent authority's ruling thereunder.

### **Thailand**

This prospectus does not, and is not intended to, constitute a public offering in Thailand. The ADSs may not be offered or sold to persons in Thailand, unless such offering is made under the exemptions from approval and filing requirements under applicable laws, or under circumstances which do not constitute an offer for sale of the shares to the public for the purposes of the Securities and Exchange Act of 1992 of Thailand, nor require approval from the Office of the Securities and Exchange Commission of Thailand.

### **United Arab Emirates**

The ADSs have not been offered or sold, and will not be offered or sold, directly or indirectly, in the United Arab Emirates, except: (1) in compliance with all applicable laws and regulations of the United Arab Emirates; and (2) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the United Arab Emirates. The information contained in this prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and is addressed only to persons who are sophisticated investors.

### **United Kingdom**

Each underwriter has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA, received by it in connection with the issue or sale of the ADSs in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ADSs in, from or otherwise involving the United Kingdom.

### **Vietnam**

This offering of ADSs has not been and will not be registered with the State Securities Commission of Vietnam under the Law on Securities of Vietnam and its guiding decrees and circulars. The ADSs will not be offered or sold in Vietnam through a public offering and will not be offered or sold to Vietnamese persons other than those who are licensed to invest in offshore securities under the Law on Investment of Vietnam.

**EXPENSES RELATED TO THIS OFFERING**

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, which are expected to be incurred in connection with the offer and sale of the ADSs by us. With the exception of the SEC registration fee and the Financial Industry Regulatory Authority filing fee, all amounts are estimates.

SEC registration fee	US\$
[NYSE/NASDAQ] listing fee	
Financial Industry Regulatory Authority filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	<u>US\$</u>

These expenses will be borne by us, except for underwriting discounts and commissions, which will be borne by us in proportion to the numbers of ADSs sold in the offering by us, respectively.

## **LEGAL MATTERS**

We are being represented by Simpson Thacher & Bartlett LLP with respect to certain legal matters of United States federal securities and New York state law. The underwriters are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters as to United States. The validity of the ordinary shares represented by the ADSs offered in this offering and legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Certain legal matters as to PRC law will be passed upon for us by Fangda Partners and for the underwriters by Tian Yuan Law Firm. Simpson Thacher & Bartlett LLP and Conyers Dill & Pearman may rely upon Fangda Partners with respect to matters governed by PRC law. Davis Polk & Wardwell LLP may rely upon Tian Yuan Law Firm with respect to matters governed by PRC law.

## **EXPERTS**

The consolidated financial statements of Cango Inc. at December 31, 2016 and in the year ended December 31, 2016, appearing in this registration statement, have been audited by Ernst & Young Hua Ming LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The office of Ernst & Young Hua Ming LLP is located at 50/F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai, People's Republic of China.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and schedules under the Securities Act with respect to underlying ordinary shares represented by the ADSs, to be sold in this offering. A related registration statement on F-6 will be filed with the SEC to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon closing of this offering, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Additional information may also be obtained over the Internet at the SEC's web site at [www.sec.gov](http://www.sec.gov).

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated combined financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

**CANGO INC.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Cango Inc.,

We have audited the accompanying consolidated balance sheets of Cango Inc. (the “Company”) as of December 31, 2016, and the related consolidated statements of comprehensive income, shareholders’ equity, and cash flows for the year ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2016 and the consolidated results of its operations and its cash flows for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Ernst & Young Hua Ming LLP

Shanghai, the People’s Republic of China  
March 23, 2018, except as to Note 1, as to which the date is [            ], 2018

The foregoing report is in the form that will be signed upon the completion of the reorganization described in Note 1 to the consolidated financial statements.

/s/ Ernst & Young Hua Ming LLP

Shanghai, the People’s Republic of China  
March 23, 2018

CANGO INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

	Note	As of December 31, 2016 (Audited) RMB	As of September 30, 2017 (Unaudited) RMB	(Unaudited) US\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		44,989,215	630,546,197	94,771,947
Restricted cash		1,010,998	137,026,147	20,595,216
Short-term investments	3	106,000,000	89,390,000	13,435,439
Accounts receivable, net (net of allowance of RMB nil as of December 31, 2016 and September 30, 2017, respectively)	4	469,385	166,855,626	25,078,627
Short-term amounts due from related parties	21	138,559,323	1,343,667	201,955
Prepaid expenses and other current assets	5	11,024,270	84,807,703	12,746,714
<b>Total current assets</b>		<b>302,053,191</b>	<b>1,109,969,340</b>	<b>166,829,898</b>
<b>Non-current assets</b>				
Restricted cash		—	117,469,430	17,655,814
Long-term investments	6	185,800,000	141,534,200	21,272,782
Equity method investments	7	70,803,382	164,959,581	24,793,648
Property and equipment, net	8	3,888,392	7,525,162	1,131,042
Intangible assets	9	1,227,474	1,779,707	267,492
Deferred tax assets	17	54,888,520	51,011,233	7,667,057
Long-term amounts due from related parties	21	69,496,274	120,608,641	18,127,642
Other non-current assets	10	26,699,307	18,305,949	2,751,409
<b>Total non-current assets</b>		<b>412,803,349</b>	<b>623,193,903</b>	<b>93,666,886</b>
<b>TOTAL ASSETS</b>		<b>714,856,540</b>	<b>1,733,163,243</b>	<b>260,496,784</b>

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

## CANGO INC.

## CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

	Note	As of December 31, 2016 (Audited) RMB	As of September 30, 2017 (Unaudited) RMB	(Unaudited) US\$
<b>LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Short-term borrowings (including short-term borrowings of the consolidated VIE without recourse to the Company of RMB nil and RMB 92,680,400 (US\$ 13,929,990) as of December 31, 2016 and September 30, 2017, respectively)	11	—	92,680,400	13,929,990
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIE without recourse to the Company of RMB 85,854,197 and RMB 147,714,994 (US\$ 22,201,764) as of December 31, 2016 and September 30, 2017, respectively)	12	85,854,197	147,714,994	22,201,764
Short-term amounts due to related parties (including short-term amounts due to related parties of the consolidated VIE without recourse to the Company of RMB 4,515,000 and RMB 6,015,000 (US\$ 904,063) as of December 31, 2016 and September 30, 2017, respectively)	21	4,515,000	6,015,000	904,063
Risk assurance liabilities (including risk assurance liabilities of the consolidated VIE without recourse to the Company of RMB 149,787,763 and RMB 79,312,232 (US\$ 11,920,736) as of December 31, 2016 and September 30, 2017, respectively)	13	149,787,763	79,312,232	11,920,736
Income tax payable (including income tax payable of the consolidated VIE without recourse to the Company of RMB 46,717,244 and RMB 40,142,159 (US\$ 6,033,421) as of December 31, 2016 and September 30, 2017, respectively)		46,717,244	40,142,159	6,033,421
<b>Total current liabilities</b>		<b>286,874,204</b>	<b>365,864,785</b>	<b>54,989,974</b>

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

## CANGO INC.

## CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

	Note	As of December 31, 2016 (Audited) RMB	As of September 30, 2017 (Unaudited) RMB	(Unaudited) US\$
<b>Non-current liabilities</b>				
Long-term borrowings (including long-term borrowings of the consolidated VIE without recourse to the Company of RMB 189,572,500 and RMB 100,962,500 (US\$ 15,174,800) as of December 31, 2016 and September 30, 2017, respectively)	11	189,572,500	100,962,500	15,174,800
Other non-current liabilities (including other non-current liabilities of the consolidated VIE without recourse to the Company of RMB 27,322,652 and RMB 35,749,330 (US\$5,373,173) as of December 31, 2016 and September 30, 2017, respectively)	14	27,322,652	35,749,330	5,373,173
<b>Total non-current liabilities</b>		<b>216,895,152</b>	<b>136,711,830</b>	<b>20,547,973</b>
<b>Total liabilities</b>		<b>503,769,356</b>	<b>502,576,615</b>	<b>75,537,947</b>
<b>Commitments and contingencies</b>	23			
<b>Mezzanine equity</b>				
<b>Redeemable Convertible Preferred Shares</b>				
Series A-1 (US\$0.0001 par value; 53,431,125 shares authorized, and outstanding as of December 31, 2016 and September 30, 2017)		1,501,153,698	1,501,153,698	225,625,433
Series A-3 (US\$0.0001 par value; 10,308,663 shares authorized, and outstanding as of December 31, 2016 and September 30, 2017)		307,816,408	307,816,408	46,265,223
Series B (US\$0.0001 par value; 61,942,726 shares authorized, and outstanding as of December 31, 2016 and September 30, 2017)		2,132,875,970	2,132,875,970	320,574,147
<b>Total mezzanine equity</b>		<b>3,941,846,076</b>	<b>3,941,846,076</b>	<b>592,464,803</b>

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

## CANGO INC.

## CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

Note	As of	As of		Pro forma shareholders' equity	
	December 31, 2016	September 30, 2017	September 30, 2017	as of September 30, 2017	as of September 30, 2017
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB	RMB	US\$	RMB	US\$
<b>Shareholders' (deficit)/equity</b>					
Ordinary shares (US\$0.0001 par value; 372,138,271 shares authorized, 124,969,987 shares issued, and outstanding at December 31, 2016 and September 30, 2017; 500,000,000 shares authorized, 252,831,716 shares issued and outstanding, unaudited, proforma)	83,145	83,145	12,497	168,217	25,283
Series A-2 preferred shares (US\$0.0001 par value; 2,179,215 shares authorized, and outstanding as of December 31, 2016 and September 30, 2017)	1,450	1,450	218	—	—
Additional paid-in capital	4,611,881	4,100,000	616,236	2,639,271,827	396,686,130
Accumulated (deficit)/Retained earnings	(3,750,749,590)	(2,746,292,379)	(412,771,464)	360,466,465	54,178,598
<b>Total Cango Inc.'s (deficit)/equity</b>	<b>(3,746,053,114)</b>	<b>(2,742,107,784)</b>	<b>(412,142,513)</b>	<b>2,999,906,509</b>	<b>450,890,011</b>
Non-controlling interests	15,294,222	30,848,336	4,636,547	30,848,336	4,636,547
<b>Total shareholders' (deficit)/equity</b>	<b>(3,730,758,892)</b>	<b>(2,711,259,448)</b>	<b>(407,505,966)</b>	<b>3,030,754,845</b>	<b>455,526,558</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT)/EQUITY</b>	<b>714,856,540</b>	<b>1,733,163,243</b>	<b>260,496,784</b>		

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

**CANGO INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED) AND 2017 (UNAUDITED)**  
**(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)**

	Note	Nine months ended September 30, 2016 (Unaudited) RMB	Year ended December 31, 2016 (Audited) RMB	Nine months ended September 30, 2017 (Unaudited) (Unaudited) RMB US\$	
<b>Revenues</b>					
(including related party amounts of RMB 123,663,529, RMB 319,436,092 and RMB 543,341,065 (US\$ 81,664,898) for the nine months ended September 30, 2016, year ended December 31, 2016, and nine months ended September 30, 2017, respectively)		205,320,322	434,279,994	740,876,311	111,354,713
<b>Operating cost and expenses</b>					
Cost of revenues	15	98,851,203	170,044,374	202,565,282	30,445,836
Sales and marketing		23,279,100	39,536,654	92,324,354	13,876,475
General and administrative		22,747,336	34,550,094	43,449,576	6,530,530
Research and development		2,195,973	4,999,844	9,182,263	1,380,107
Net loss/(gain) on risk assurance liabilities		510,208	743,874	(37,640,739)	(5,657,454)
<b>Total operating costs and expenses</b>		<b>147,583,820</b>	<b>249,874,840</b>	<b>309,880,736</b>	<b>46,575,494</b>
<b>Income from operations</b>		<b>57,736,502</b>	<b>184,405,154</b>	<b>430,995,575</b>	<b>64,779,219</b>
Interest income		2,867,066	4,099,155	6,840,948	1,028,204
(Loss)/income from equity method investments		(7,821,387)	(9,987,809)	4,155,139	624,523
Interest expense		(202,986)	(449,690)	(10,013,277)	(1,505,009)
Foreign exchange loss, net		—	—	(24,345,001)	(3,659,087)
Other income	16	8,285,618	8,660,772	18,917,593	2,843,340
Other expenses		(168,917)	(232,208)	(282,578)	(42,473)
<b>Net income before income taxes</b>		<b>60,695,896</b>	<b>186,495,374</b>	<b>426,268,399</b>	<b>64,068,717</b>
Income tax expenses	17	20,136,433	53,014,312	107,030,659	16,086,853
<b>Net income</b>		<b>40,559,463</b>	<b>133,481,062</b>	<b>319,237,740</b>	<b>47,981,864</b>
Less: Net (loss)/income attributable to the non-controlling interests		(119,095)	4,575,078	13,105,836	1,969,825
<b>Net income attributable to Cango Inc.’s shareholders</b>		<b>40,678,558</b>	<b>128,905,984</b>	<b>306,131,904</b>	<b>46,012,039</b>

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

**CANGO INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED) AND 2017 (UNAUDITED)**  
**(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)**

	Note	Nine months ended September 30, 2016 (Unaudited) RMB	Year ended December 31, 2016 (Audited) RMB	Nine months ended September 30, 2017 (Unaudited) RMB (Unaudited) US\$	
<b>Earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholder:</b>					
Basic and diluted	19	0.16	0.51	1.21	0.18
<b>Weighted average shares used to compute earnings per share attributable to ordinary shareholders and Series A-2 preferred shareholder:</b>					
Basic	19	127,149,202	127,149,202	127,149,202	127,149,202
Diluted	19	252,831,716	252,831,716	252,831,716	252,831,716
Pro forma income per share attributable to ordinary shareholders—basic and diluted (unaudited):	19			1.21	0.18
Shares used in pro forma income per share computation—basic and diluted (unaudited):	19			252,831,716	252,831,716
<b>Other comprehensive income, net of tax</b>					
Unrealized losses on available-for-sale securities		—	—	(2,065,258)	(310,411)
Reclassification of losses to net income		—	—	2,065,258	310,411
<b>Total comprehensive income, net of tax</b>		<b>40,559,463</b>	<b>133,481,062</b>	<b>319,237,740</b>	<b>47,981,864</b>
Total comprehensive (loss)/income attributable to non-controlling interests		(119,095)	4,575,078	13,105,836	1,969,825
<b>Total comprehensive income attributable to Cango Inc.’s shareholders</b>		<b>40,678,558</b>	<b>128,905,984</b>	<b>306,131,904</b>	<b>46,012,039</b>

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

**CANGO INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 (UNAUDITED)**  
**(Amounts in Renminbi ("RMB") and US dollar ("US\$"), except for number of shares and per share data)**

	Ordinary shares		A-2 preferred shares		Attributable to Cango Inc.			Non-controlling interests	Total shareholders' deficit
	Number of Shares	Amount	Number of shares	Amount	Additional paid-in capital	Accumulated deficit	Total Cango Inc.'s deficit		
	<b>Balance at December 31, 2015</b>	<b>124,969,987</b>	<b>83,145</b>	<b>2,179,215</b>	<b>1,450</b>	—	<b>(3,879,655,574)</b>		
Share-based compensation (Note 22)	—	—	—	—	4,100,000	—	4,100,000	—	4,100,000
Purchase of subsidiary's equity from non-controlling interests holder	—	—	—	—	511,881	—	511,881	(1,711,881)	(1,200,000)
Dividends to non-controlling interests	—	—	—	—	—	—	—	(1,023,000)	(1,023,000)
Net income	—	—	—	—	—	128,905,984	128,905,984	4,575,078	133,481,062
<b>Balance at December 31, 2016</b>	<b>124,969,987</b>	<b>83,145</b>	<b>2,179,215</b>	<b>1,450</b>	<b>4,611,881</b>	<b>(3,750,749,590)</b>	<b>(3,746,053,114)</b>	<b>15,294,222</b>	<b>(3,730,758,892)</b>
Capital contribution by shareholders	—	—	—	—	698,661,704	—	698,661,704	—	698,661,704
Shareholder distribution	—	—	—	—	(698,661,704)	698,661,704	—	—	—
Sale of subsidiaries' equity to non-controlling interests holders	—	—	—	—	(511,881)	(336,397)	(848,278)	2,448,278	1,600,000
Net income	—	—	—	—	—	306,131,904	306,131,904	13,105,836	319,237,740
<b>Balance at September 30, 2017</b>	<b>124,969,987</b>	<b>83,145</b>	<b>2,179,215</b>	<b>1,450</b>	<b>4,100,000</b>	<b>(2,746,292,379)</b>	<b>(2,742,107,784)</b>	<b>30,848,336</b>	<b>(2,711,259,448)</b>

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

**CANGO INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED) AND 2017 (UNAUDITED)**  
**(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)**

	Nine months ended September 30, 2016 (Unaudited) RMB	Year ended December 31, 2016 (Audited) RMB	Nine months ended September 30, 2017 (Unaudited) RMB	(Unaudited) US\$
<b>Cash flows from operating activities:</b>				
Net income	40,559,463	133,481,062	319,237,740	47,981,864
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation and amortization	1,075,682	1,501,400	2,022,197	303,939
Share-based compensation expense	2,880,000	4,100,000	—	—
Loss/(gain) on risk assurance liabilities	510,208	743,874	(37,640,739)	(5,657,454)
Loss/(gain) from equity method investment	7,821,387	9,987,809	(4,155,139)	(624,523)
Investment income of short-term investments	(304,891)	(571,101)	(5,766,905)	(866,774)
Interest income, net	(2,194,672)	(2,854,436)	6,676,221	1,003,445
Foreign exchange loss, net	—	—	24,345,001	3,659,087
Deferred income tax expense	(1,592,786)	2,863,061	3,877,287	582,762
Changes in operating assets and liabilities:				
Accounts receivable	855,634	526,478	(166,386,241)	(25,008,077)
Receivables from related parties	(65,063,928)	(138,559,323)	137,215,656	20,623,699
Other current and non-current assets	(1,672,828)	(23,050,832)	(9,910,453)	(1,489,554)
Payables to related parties	2,515,000	3,015,000	1,500,000	225,452
Risk assurance liabilities	(21,896,695)	(21,720,806)	(32,834,792)	(4,935,114)
Other current and non-current liabilities	37,184,442	113,564,407	63,958,034	9,612,979
<b>Net cash provided by operating activities</b>	<b>676,016</b>	<b>83,026,593</b>	<b>302,137,867</b>	<b>45,411,731</b>
<b>Cash flows from investing activities:</b>				
Proceeds from redemption of short-term investments	59,000,000	204,500,000	1,075,000,000	161,573,956
Proceeds from sale of long-term investments	—	—	227,400,000	34,178,528
Proceeds from shareholder loans	10,001,392	38,024,160	3,033,233	455,899
Realized investment income of short-term investments	304,891	571,101	5,766,905	866,774
Disposal of property and equipment and intangible assets	31,494	441,860	146,484	22,017
Purchase of short-term investments	(91,500,000)	(295,500,000)	(1,058,390,000)	(159,077,450)
Purchase of long-term investments	—	(185,800,000)	(183,134,200)	(27,525,318)
Purchases of property and equipment and intangible assets	(2,492,107)	(2,576,037)	(8,195,719)	(1,231,828)
Purchase of equity method investment	—	—	(141,500,000)	(21,267,642)
Loans provided to shareholders	(8,000,000)	(31,699,913)	(52,950,131)	(7,958,476)
<b>Net cash used in investing activities</b>	<b>(32,654,330)</b>	<b>(272,038,829)</b>	<b>(132,823,428)</b>	<b>(19,963,540)</b>

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

**CANGO INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**AND NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED) AND 2017 (UNAUDITED)**  
**(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)**

	Nine months ended September 30, 2016 (Unaudited) RMB	Year ended December 31, 2016 (Audited) RMB	Nine months ended September 30, 2017 (Unaudited) RMB      (Unaudited) US\$	
<b>Cash flows from financing activities:</b>				
Contribution from shareholders	—	—	698,661,704	105,009,800
Sale of subsidiaries’ equity to non-controlling interests holders	—	—	1,600,000	240,482
Proceeds from borrowings	—	189,572,500	229,790,000	34,537,748
Purchase of subsidiary’s equity from non-controlling interests	—	(1,200,000)	—	—
Repayment of borrowings	—	—	(225,719,600)	(33,925,962)
Interest expense paid	(202,986)	(202,986)	(10,259,981)	(1,542,089)
Distribution to shareholders	(1,023,000)	(1,023,000)	—	—
<b>Net cash (used)/provided by financing activities</b>	<b>(1,225,986)</b>	<b>187,146,514</b>	<b>694,072,123</b>	<b>104,319,979</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(24,345,001)	(3,659,087)
<b>Net (decrease)/increase in cash, cash equivalents and restricted cash</b>	<b>(33,204,300)</b>	<b>(1,865,722)</b>	<b>839,041,561</b>	<b>126,109,083</b>
Cash, cash equivalents and restricted cash at beginning of the year/period	47,865,935	47,865,935	46,000,213	6,913,894
<b>Cash, cash equivalents and restricted cash at end of the year/period</b>	<b>14,661,635</b>	<b>46,000,213</b>	<b>885,041,774</b>	<b>133,022,977</b>
<b>Supplemental disclosures of cash flow information:</b>				
Income taxes paid	18,951,415	19,766,908	109,728,457	16,492,336
Interest expense paid	202,986	202,986	10,259,981	1,542,089

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

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

**1. ORGANIZATION**

Cango Inc. (the “Company”, and where appropriate, the term “Company” also refers to its subsidiaries, variable interest entity, and subsidiaries of the variable interest entity as a whole) is an exempt company incorporated in the Cayman Islands with limited liability under the laws of the Cayman Islands on October 9, 2017. The Company, through its subsidiaries, variable interest entity (“VIE”), and subsidiaries of the VIE, are principally engaged in the provision of automotive financing facilitation, automotive transaction facilitation, and aftermarket service facilitation in the People’s Republic of China (the “PRC”). The Company conducts its primary business operations through its VIE and the subsidiaries of the VIE.

In preparation of its initial public offering in the United States, the Company is expected to be restructured prior to the effectiveness of the Registration Statement in order to establish the Company as the parent company. As part of the restructuring, the business operations of the VIE were transferred to the Company. In return, the Company issued 39,442,798 of ordinary shares to Eagle Central Holding Limited, a company wholly owned by Mr. Xiaojun Zhang, 39,882,922 of ordinary shares to Medway Brilliant Holding Limited, a company wholly owned by Mr. Jiayuan Lin, 13,075,290 of ordinary shares to Huaiyuan L.P., 11,285,322 of ordinary shares to Minghuai L.P., 21,283,655 of ordinary shares to Xiehuai L.P. as well as 53,431,125 of Series A-1 preferred shares, 2,179,215 of Series A-2 preferred shares, 10,308,663 of Series A-3 preferred shares (collectively “Series A”), and 61,942,726 of Series B preferred shares to the same group of third party shareholders of the VIE.

As the shareholdings in the Company and the VIE were identical immediately before and after the restructuring, the transaction was accounted for under common ownership, in a manner similar to a pooling of interests. Therefore, the accompanying consolidated financial statements have been prepared as if the corporate structure of the Company had been in existence since the beginning of the periods presented. Furthermore, the Series A and B preferred shares will be recorded at fair value upon restructuring and presented on a retroactive basis.

As of September 30, 2017, the Company’s subsidiaries, VIE and subsidiaries of the VIE are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
<i>Subsidiaries</i>				
Cango Group Limited (“Cango HK”)	October 31, 2017	Hong Kong (“HK”)	100%	Investment holding
Can Gu Long (Shanghai) Information Technology Consultation Service Co., Ltd. (“Cangulong” or Wholly Foreign Owned Enterprise “WFOE”)	January 25, 2018	PRC	100%	Investment holding
<i>VIE</i>				
Shanghai Cango Investment and Management Consultation Service Co., Ltd. (“Shanghai Cango”)	August 30, 2010	PRC	Nil	Provision of automotive financing facilitation, automotive transaction facilitation and aftermarket service facilitation.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

1. ORGANIZATION - CONTINUED

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
<i>Subsidiaries of the VIE</i>				
Shanghai Wangjin Financial Information Service Co., Ltd. (“Shanghai Wangjin”)	June 21, 2013	PRC	Nil	Finance and information technology
Shanghai Huixie Automotive Service Co., Ltd. (“Shanghai Huixie”)	November 27, 2014	PRC	Nil	Automotive technology development, sale of automotive parts
Shanghai Cango Electronic Technology Co., Ltd. (“Electronic Technology”)	July 13, 2016	PRC	Nil	Automotive technology development, sale of automotive parts
Shanghai Cango Automobile Sales Co., Ltd. (“Automobile Sales”)	September 30, 2016	PRC	Nil	Sale of automobiles and automotive parts
Guangzhou Cango Automotive Information Consultation Service Co., Ltd. (“Guangzhou Cango”)	February 28, 2015	PRC	Nil	Automotive information consultation services
Tianjin Changtong Automotive Leasing Co., Ltd. (“Tianjin Changtong”)	January 10, 2013	PRC	Nil	Automotive leasing, automotive information consultation services
Shenyang Cango Automotive Information Consultation Co., Ltd. (“Shenyang Cango”)	January 27, 2015	PRC	Nil	Automotive information consultation services
Jiangsu Tongyuan Automotive Consulting Service Co., Ltd. (“Jiangsu Tongyuan”)	November 18, 2010	PRC	Nil	Automotive information consultation services
Nanjing Canyuan Automotive Service Co., Ltd. (“Nanjing Canyuan”)	April 3, 2015	PRC	Nil	Automotive information consultation services
Hubei Huaitai Automotive Consulting Service Co., Ltd. (“Hubei Huaitai”)	March 27, 2013	PRC	Nil	Automotive information consultation services
Sichuan Xintongda Automotive Service Co., Ltd. (“Sichuan Xintongda”)	December 6, 2010	PRC	Nil	Automotive leasing, automotive information consultation services
Chengdu Cango Automotive Service Co., Ltd. (“Chengdu Cango”)	October 13, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Xi’an Cango Automotive Consulting Service Co., Ltd. (“Xi’an Cango”)	February 6, 2015	PRC	Nil	Automotive information consultation services
Shijiazhuang Cango Automotive Leasing Co., Ltd. (“Shijiazhuang Cango”)	March 4, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Shanxi Huirui Automotive Consulting Service Co., Ltd. (“Shanxi Huirui”)	April 9, 2013	PRC	Nil	Automotive information consultation services
Henan Cango Automotive Service Co., Ltd. (“Henan Cango”)	April 22, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Heilongjiang Cango Automotive Information Consultation Co., Ltd. (“Heilongjiang Cango”)	November 9, 2015	PRC	Nil	Automotive information consultation services

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

## 1. ORGANIZATION - CONTINUED

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Shandong Huaitong Automotive Consulting Service Co., Ltd. (“Shandong Huaitong”)	October 11, 2013	PRC	Nil	Automotive information consultation services
Hefei Cango Automotive Service Co., Ltd. (“Hefei Cango”)	February 10, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Fujian Changhui Automotive Service Co., Ltd. (“Fujian Changhui”)	March 5, 2012	PRC	Nil	Automotive leasing, automotive information consultation services
Changsha Cango Automotive Service Co., Ltd. (“Changsha Cango”)	January 20, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Guangxi Canyuan Automotive Consulting Service Co., Ltd. (“Guangxi Canyuan”)	June 27, 2011	PRC	Nil	Automotive information consultation services
Guangxi Nanning Cango Automotive Consulting Service Co., Ltd. (“Nanning Cango”)	February 13, 2015	PRC	Nil	Automotive information consultation services
Jiangxi Cango Automotive Consulting Service Co., Ltd. (“Jiangxi Cango”)	February 12, 2015	PRC	Nil	Automotive information consultation services
Guizhou Cango Automotive Service Co., Ltd. (“Guizhou Cango”)	March 25, 2015	PRC	Nil	Automotive leasing, automotive information consultation services
Kunming Cango Automotive Information Consultation Service Co., Ltd. (“Kunming Cango”)	February 13, 2015	PRC	Nil	Automotive information consultation services

On October 31, 2017, the Company incorporated a wholly-owned subsidiary, Cango HK, in Hong Kong. On January 25, 2018, the Company incorporated another wholly-owned subsidiary, Cangulong, in the PRC. On March 23, 2018, Shanghai Cango signed a series of contractual agreements with Cangulong and its nominee shareholders (the “VIE Agreements”).

The Company operates its business primarily through the VIE and the subsidiaries of the VIE. The Company, through the WFOE, entered into power of attorney and an exclusive option agreement with the nominee shareholders of the VIE, that gave the WFOE the power to direct the activities that most significantly affect the economic performance of the VIE and to acquire the equity interests in the VIE when permitted by the PRC laws, respectively. Certain exclusive agreements have been entered into with the VIE through the WFOE, which obligate the WFOE to absorb a majority of the risk of loss from the VIE’s activities and entitles the WFOE to receive a majority of their residual returns. In addition, the Company entered into a share pledge agreement for equity interests in the VIE held by the nominee shareholders of the VIE. On March 22, 2018, Cango Inc. agreed to provide unlimited financial support to the VIE for its operations. As a result of the VIE Agreements, the Company exercises effective control over the significant business activities of the VIE through the WFOE and provides unlimited financial support to the VIE. Therefore Cango Inc. is determined to be most closely associated with the VIE within the group of related parties and was considered to be the Primary Beneficiary of the VIE.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

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**1. ORGANIZATION - CONTINUED**

Despite the lack of technical majority ownership, the Company has effective control of the VIE through the VIE Agreements and a parent-subsidary relationship exists between the Company and the VIE. Through the VIE Agreements, the shareholders of the VIE effectively assigned all of their voting rights underlying their equity interest in the VIE to the Company. In addition, through the other exclusive agreements, which consist of exclusive option agreement, exclusive business cooperation agreement, and equity pledge agreement, the Company, through its wholly-owned subsidiaries in the PRC, have the right to receive economic benefits from the VIE that potentially could be significant to the VIE. Lastly, through the financial support undertaking letter, the Company has the obligation to absorb losses of the VIE that could potentially be significant to the VIE. Therefore, the Company is considered the primary beneficiary of the VIE and consolidates the VIE and its consolidated subsidiaries as required by SEC Regulation S-X Rule 3A-02 and ASC topic 810 (“ASC 810”), *Consolidation*.

The following is a summary of the VIE Agreements:

(1) Power of Attorney Agreements:

Pursuant to the power of attorney signed between Shanghai Cango’s nominee shareholders and the WFOE, each nominee shareholder irrevocably appointed the WFOE as its attorney-in-fact to exercise on each nominee shareholder’s behalf any and all rights that each nominee shareholder has in respect of its equity interest in Shanghai Cango (including but not limited to executing the exclusive right to purchase agreements, the voting rights and the right to appoint directors and executive officers of Shanghai Cango). This agreement is effective and irrevocable as long as the nominee shareholder remains a shareholder of Shanghai Cango.

(2) Exclusive Option Agreement:

Pursuant to the exclusive option agreement entered into between Shanghai Cango’s nominee shareholders and the WFOE, the nominee shareholders irrevocably granted the WFOE a call option to request the nominee shareholders to transfer or sell any part or all of its equity interests in the VIE, or any or all of the assets of the VIE, to the WFOE, or their designees. The purchase price of the equity interests in the VIE is equal to the minimum price required by PRC law. Without the WFOE’s prior written consent, the VIE and its nominee shareholders cannot amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests and provide any loans or guarantees. The nominee shareholders cannot request any dividends or other form of assets. If dividends or other form of assets were distributed, the nominee shareholders are required to transfer all received distribution to the WFOE or their designees. This agreement is not terminated until all of the equity interest of the VIE is transferred to the WFOE or the person(s) designated by the WFOE. None of the nominee shareholders have the right to terminate or revoke the agreement under any circumstance unless otherwise regulated by law.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

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**1. ORGANIZATION - CONTINUED**

The following is a summary of the VIE Agreements - continued:

(3) Exclusive Business Cooperation Agreement:

Pursuant to the exclusive business cooperation agreement entered into by the WFOE and Shanghai Cango and its subsidiaries, the WFOE provides exclusive technical support and consulting services in return for fees based on 100% of Shanghai Cango’s profit before tax, which is adjustable at the sole discretion of the WFOE. Without the WFOE’s consent, the VIE and its subsidiaries cannot procure services from any third party or enter into similar service arrangements with any other third party, other than the WFOE. In addition, the consolidated VIE granted the WFOE an exclusive right to purchase any or all of the business or assets of each of the profitable consolidated VIE and its subsidiaries at the lowest price permitted under PRC law. This agreement is irrevocable or can only be unilaterally revoked/amended by the WFOE.

(4) Equity Pledge Agreement:

Pursuant to the equity pledge agreements, the nominee shareholders representing over 90% of the VIE’s equity interest have pledged all of their respective equity interests in the VIE to the WFOE as continuing first priority security interest to guarantee the nominee shareholders’ and the VIE’s obligations under the power of attorney agreement, the exclusive option agreement and the exclusive business cooperation agreement. The WFOE is entitled to all dividends during the effective period of the share pledge unless it agrees otherwise in writing. If Shanghai Cango or any of the nominee shareholder breaches its contractual obligations, the WFOE will be entitled to certain rights regarding the pledged equity interests, including receiving proceeds from the auction or sale of all or part of the pledged equity interests of Shanghai Cango in accordance with PRC law. None of the nominee shareholders may assign or transfer to any third party, distribute dividends and create or cause any security interest and any liability in whatsoever form to be created on, all or any part of the equity interests it holds in the VIE without the written consent of the WFOE. This agreement is not terminated until all of the technical support and consulting and service fees are fully paid under the exclusive business cooperation agreement and all of Shanghai Cango’ obligations have been terminated under the other controlling agreements. The Company will register the equity pledge with the relevant office of the administration for industry and commerce in accordance with the PRC Property Rights Law.

On March 22, 2018, the following supplementary agreements were entered into:

(1) Financial support undertaking letter

Pursuant to the financial support undertaking letter, the Company is obligated to provide unlimited financial support to the VIE, to the extent permissible under the applicable PRC laws and regulations. The Company will not request repayment of the loans or borrowings if the VIE Entity or its shareholders do not have sufficient funds or are unable to repay.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

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1. ORGANIZATION - CONTINUED

(2) Resolutions of the sole director of Cango Inc. (the “Resolutions”)

The sole director resolved that each of Mr. Xiaojun Zhang, Mr. Jiayuan Lin and Mr. Yongyi Zhang (each, an “Authorized Officer”) shall cause the WFOE to exercise its rights under the power of attorney agreements and the exclusive option agreement when the Authorized Officer determines that such exercise is in the best interests of the Company and the WFOE to do so.

In the opinion of the Company’s legal counsel, (i) the ownership structure of the PRC subsidiaries and the VIE, both currently and immediately after giving effect to the initial public offering, does not and will not violate applicable PRC laws and regulations; (ii) each of the VIE Agreements is valid, binding and enforceable in accordance with its terms and applicable PRC laws or regulations and will not violate applicable PRC laws or regulations; (iii) the financial support letter issued by the Company to the VIE, dated as of March 22, 2018 and the resolutions contained in the Resolutions are valid in accordance with the articles of association of the Company and Cayman Islands Law.

However, uncertainties in the PRC legal system could cause the Company’s current ownership structure to be found in violation of existing and/or future PRC laws or regulations and could limit the Company’s ability to enforce its rights under these contractual arrangements. Furthermore, the nominee shareholders of the VIE may have interests that are different than those of the Company, which could potentially increase the risk that they would seek to act contrary to the terms of the contractual agreements with the VIE.

In addition, if the current structure or any of the contractual arrangements is found to be in violation of any existing or future PRC laws or regulations, the Company could be subject to penalties, which could include, but not be limited to, revocation of business and operating licenses, discontinuing or restricting business operations, restricting the Company’s right to collect revenues, temporary or permanent blocking of the Company’s internet platforms, restructuring of the Company’s operations, imposition of additional conditions or requirements with which the Company may not be able to comply, or other regulatory or enforcement actions against the Company that could be harmful to its business. The imposition of any of these or other penalties could have a material adverse effect on the Company’s ability to conduct its business.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

1. ORGANIZATION - CONTINUED

As of December 31, 2016 and September 30, 2017, there was no pledge or collateralization of the VIE’s assets. Creditors of the VIE have no recourse to the general credit of the Company, who is the primary beneficiary of the VIE. The table sets forth the assets and liabilities of the VIE’s included in the Company’s consolidated balance sheets:

	As of December 31,	As of September 30,	
	2016	2017	
	(Audited)	(Unaudited)	(Unaudited)
	RMB	RMB	US\$
Cash and cash equivalents	44,989,215	630,546,197	94,771,947
Restricted cash	1,010,998	137,026,147	20,595,216
Short-term investments	106,000,000	89,390,000	13,435,439
Accounts receivable, net	469,385	166,855,626	25,078,627
Short-term amounts due from related parties	138,559,323	1,343,667	201,955
Prepaid expenses and other current assets	11,024,270	84,807,703	12,746,714
<b>Total current assets</b>	<b>302,053,191</b>	<b>1,109,969,340</b>	<b>166,829,898</b>
Restricted cash	—	117,469,430	17,655,814
Long-term investments	185,800,000	141,534,200	21,272,782
Equity method investments	70,803,382	164,959,581	24,793,648
Property and equipment, net	3,888,392	7,525,162	1,131,042
Intangible assets	1,227,474	1,779,707	267,492
Deferred tax assets	54,888,520	51,011,233	7,667,057
Long-term amounts due from related parties	69,496,274	120,608,641	18,127,642
Other non-current assets	26,699,307	18,305,949	2,751,409
<b>Total non-current assets</b>	<b>412,803,349</b>	<b>623,193,903</b>	<b>93,666,886</b>
<b>Total assets</b>	<b>714,856,540</b>	<b>1,733,163,243</b>	<b>260,496,784</b>
Total current liabilities	286,874,204	365,864,785	54,989,974
Total non-current liabilities	216,895,152	136,711,830	20,547,973
<b>Total liabilities</b>	<b>503,769,356</b>	<b>502,576,615</b>	<b>75,537,947</b>

The VIE’s net asset balance was RMB 211,087,184 and RMB 1,230,586,628 (US\$ 184,958,837) as of December 31, 2016 and September 30, 2017.

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

**1. ORGANIZATION - CONTINUED**

The table sets forth the results of operations of the VIE included in the Company’s consolidated statements of comprehensive income:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended at September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Revenues	205,320,322	434,279,994	740,876,311	111,354,713
Net income	40,559,463	133,481,062	319,237,740	47,981,864

The table sets forth the cash flows of the VIE included in the Company’s consolidated statements of cash flows:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended at September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Net cash provided by operating activities	676,016	83,026,593	302,137,867	45,411,731
Net cash used in investing activities	(32,654,330)	(272,038,829)	(132,823,428)	(19,963,540)
Net cash (used)/provided by financing activities	(1,225,986)	187,146,514	694,072,123	104,319,979

**Consolidated trust**

The Company established a trust to invest in subordinated tranches of automobile backed loans. The Company contributed capital to the trust, determined the investment strategy, and is the sole beneficiary of the trust. The trust is administered by a third party trust company as the trustee.

The Company consolidates the trust as it has the power to direct the activities of the trust that most significantly impacts the trust’s economic performance and the obligation to absorb losses of the trust that potentially could be significant to the trust.

All assets of the consolidated trust are pledged as collateral for specific Company borrowings.

CANGO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED DECEMBER 31, 2016

AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)

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**1. ORGANIZATION - CONTINUED**

*Non-consolidated trust*

As of December 31, 2016 and September 30, 2017, the Company (through the consolidated trust) invested in subordinated tranches of automobile backed loans that were originated through a third party trust. The subordinated tranches provides specific returns based on the credit risk of the underlying loans. The Company does not have any additional liquidity arrangements, guarantees, or other commitments to the third party trust. The trust is held by and administered by a third party company as a trustee. The Company is not the primary beneficiary and does not consolidate this trust because the Company does not have power over decisions that significantly affect the trust’s economic performance. The Company accounts for the subordinated tranches of automobile backed loans as long-term investments. As of December 31, 2016 and September 30, 2017, the net carrying amount of the subordinated tranches of automobile backed loans was RMB 185,800,000 and RMB 141,534,200 (US\$ 21,272,782), respectively, and the Company’s maximum exposure to loss in the trust, is limited to the subordinated tranches of automobile backed loans.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

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

*Principles of consolidation*

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIE, and the subsidiaries of the VIE. All inter-company transactions and balances have been eliminated.

*Pro forma information (unaudited)*

The unaudited pro forma balance sheet information as of September 30, 2017 assumes the automatic conversion of all of the outstanding Convertible Preferred Shares into 127,861,729 ordinary shares upon the completion of the qualified IPO.

*Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates reflected in the Company’s consolidated financial statements include, but are not limited to revenue recognition, allowance for accounts receivable, fair value of risk assurance liabilities, valuation allowance for deferred tax assets,

CANGO INC.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Use of estimates-continued*

fair value of assets and liabilities assumed in business combination, assessment of recoverability of the Company’s property and equipment, intangible assets, uncertain tax positions, fair value of convertible redeemable preferred shares and fair value of investments. Actual results could differ from these estimates.

*Revenue recognition*

The Company generates revenue primarily by providing automotive financing facilitation services and post-origination services to financial institutions. The Company entered into non-risk assured and risk assured facilitation arrangements with various financial institutions. Borrowers that pass the Company’s credit assessment processes are recommended to the financial institutions. Once the borrower is independently approved by the financial institutions, the financial institutions will directly fund the borrower’s automobile purchase and the Company will earn a loan facilitation fee from the financial institution. Additionally, the Company will provide post-origination services (“POS”), such as tracking through telematics devices in the automobiles; and sending SMS payment reminder to borrowers, throughout the terms of the loans. The Company determined that it is not the legal lender or legal borrower in the loan origination and repayment process, respectively. Therefore, the Company does not record loan receivables and payable arising from the loans between borrowers and financial institutions on its consolidated balance sheet.

The Company also generates revenue from other contingent fees, such as car recovery and disposal services.

In accordance with ASC 605, *Revenue recognition* (“ASC 605”), the Company recognizes revenue when the following four revenue recognition criteria are met:

- (i) Persuasive evidence of an arrangement exists;
- (ii) Services have been provided;
- (iii) The fee is fixed and determinable, and
- (iv) Collectability is reasonably assured.

*Multiple element revenue recognition*

For each successful loan facilitation, the Company earns a loan facilitation fee and a recurring service fee for POS throughout the term of the loans. Borrowers make repayments directly to the financial institutions, and the financial institutions will then remit the loan facilitation fee and recurring service fee to the Company on a periodic basis. The two deliverables provided by the Company are loan facilitation and POS. In addition, the Company provides risk assurance obligation to certain financial institutions which requires the Company to make either delinquent installment repayments and/or repurchase the loans after a specified period on an individual loan basis. The Company considers the loan facilitation services and the POS as a multiple element revenue arrangement, and the financial institutions as the sole customer in the arrangement. The Company first allocates the consideration to the risk assurance liability equaling to the fair value of the risk assurance liability. The remaining consideration is allocated to the loan facilitation services and POS.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Revenue recognition-continued***

The Company does not have vendor specific objective evidence (“VSOE”) of selling price for the loan facilitation services and POS because the Company does not provide loan facilitation services or POS on a standalone basis. There is also no third-party evidence of the prices charged by third-party service providers when such services are sold separately. As a result, the Company uses its best estimate of selling prices of loan facilitation services and POS as the basis of revenue allocation. The amount allocated to the delivered loan facilitation services is limited to the amount that is not contingent on the delivery of the undelivered POS in accordance with ASC 605-25. As the remaining consideration from the revenue arrangement is contingent on the borrower’s timely installment repayments to the financial institutions, the remaining loan facilitation service income is recorded when the contingency is resolved. The loan facilitation services and post-origination services are recorded as revenue in the consolidated statements of comprehensive income.

***Cost of revenues***

Cost of revenues consist primarily of commissions paid to car dealers who refer borrowers to the Company, employee compensation costs, cost of telematics devices installed in automobiles and third party outsourcing fees for vehicle repossession services. Cost of revenues are expensed as incurred when the corresponding services have been provided.

***Foreign currency translation and transactions***

The functional currency of the Company and Cango HK is the US\$. The Company’s subsidiaries, VIE, and subsidiaries of the VIE with operations in the PRC adopted RMB as their functional currencies. The determination of the respective functional currency is based on the criteria stated in ASC 830, *Foreign Currency Matters*. The Company uses RMB as its reporting currency. The financial statements of the Company and Cango HK are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities and average exchange rate for the year for income and expense items. Translation gains and losses are recorded in accumulated other comprehensive retained earnings/(deficit), as a component of shareholders’ equity.

Transactions in currencies other than the functional currency are measured and recorded in the functional currency at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities denominated in currencies other than the functional currency are re-measured into the functional currency at the rates of exchange prevailing at the balance sheet dates. Transaction gains and losses are recognized in the consolidated statements of comprehensive income during the period or year in which they occur.

***Cash and cash equivalents***

Cash and cash equivalents primarily consist of cash and demand deposits which are highly liquid. The Company considers highly liquid investments that are readily convertible to known amounts of cash and

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Cash and cash equivalents-continued*

with original maturities from the date of purchase of three months or less to be cash equivalents. All cash and cash equivalents are unrestricted as to withdrawal and use.

*Restricted cash*

Restricted cash represents cash deposited with the respective financial institution customers, and cash held as collateral for short-term borrowings. Financial institutions make corresponding deductions from the Company’s deposit account, when borrowers are delinquent in their installment repayments and/or when loans are required to be repurchased by the Company after a specified delinquency period. Such restricted cash is not available to fund the general liquidity needs of the Company. The balance of restricted cash was RMB 1 million and RMB 254 million as of December 31, 2016 and September 30, 2017, respectively.

*Accounts receivable and allowance for doubtful accounts*

Accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. An allowance for doubtful accounts is recorded in the period when loss is probable based on many factors, including the age of the balance, the customer’s payment history and current economic trends. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. Bad debts are written off after all collection efforts have been exhausted.

*Investments*

*Cost method equity investments*

Subordinated trust units which do not provide guaranteed returns and bears losses are equity securities. As the Company does not have significant influence over the subordinated trust and the subordinated trust units do not have readily determinable fair values, they are accounted for as cost method investments. The Company’s cost method investments are accounted for in accordance with ASC 325-20, *Cost Method Investments*. The Company carries these investment at cost and adjusts for other-than-temporary declines in fair value. Management measures impairment by comparing the present value of the remaining cash flows as estimated at investment year/period end date against the present value of the cash flows expected to be collected at each financial reporting date, using the effective interest rate method. The Company records an impairment loss in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period.

*Other investments*

Subordinated trust units which provide a guaranteed return are debt securities and represents a beneficial interest that are accounted for in accordance with ASC 325-40 *Investments—other, beneficial interests in securitized financial assets*. The subordinated trust units are classified as available-for-sale securities and the Company recognizes the accretable yield as interest income over the life of the contractual life of the subordinated trust units using the effective yield method. In order to determine the interest recorded in each

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Investments-continued*

period, the Company estimates the timing and amount of future cash flows attributable to the beneficial interests over the estimated life of the trust. The Company reevaluates the estimated future cash flows periodically to determine whether an adjustment to the accretable yield is required or if an other-than-temporary impairment should be recorded. An other-than-temporary impairment is considered to have occurred when, based on current information and events, there has been an adverse change in the timing or amount of cash flows expected to be collected or when the Company intends to sell the securities or it is required to sell the securities before recovery of its amortized cost basis.

*Risk assurance liabilities*

The Company provides risk assurance to various financial institution customers. The risk assurance liability requires the Company to either make delinquent installment repayments or purchase the loans after a specified period on an individual loan basis. The risk assurance liability is exempted from being accounted for as a derivative in accordance with ASC 815-10-15-58.

The risk assurance liability consists of two components. The Company’s obligation to stand ready to make delinquent payments or to purchase the loan over the term of the arrangement (the non-contingent aspect) is accounted for in accordance with *ASC 460 Guarantees* (“ASC 460”). The contingent obligation relating to the contingent loss arising from the arrangement is accounted for in accordance with *ASC 450 Contingencies* (“ASC 450”). At inception, the Company recognizes the non-contingent aspect of the risk assurance liability at fair value, which considers the premium required by a third party market participant to issue the same risk assurance in a standalone transaction.

Subsequent to the initial recognition, the non-contingent aspect of the risk assurance liability is reduced over the term of the arrangement as the Company is released from its stand ready obligation on a loan-by-loan basis based on the borrower’s repayment of the loan principal. The contingent loss arising from the obligation to make future payments is recognized when borrower default is probable and is measured as the future payout of the arrangement estimated using the historical default rates of a portfolio of similar loans.

*Fair value measurements of financial instruments*

Financial instruments include short-term investments, available-for-sale securities, accounts receivable, amounts due to related parties and short-term and long-term borrowings. The carrying amount of the financial instruments, except for long-term borrowings, approximate fair value because of their short maturities. The short-term investments are carried at fair value. The Company’s short-term investments comprise of monetary wealth management products which are classified as held for trading. The available-for-sale securities are carried at fair value. The Company’s available-for-sale securities comprise of investments in subordinated tranches of automobile backed loans. The fair value of the subordinated tranches of automobile backed loans are determined based on the market observable transaction prices.

*Repossessed assets*

When the Company exercises its obligation to purchase a delinquent loan under the risk assurance obligation, it records the financing receivable in accordance with *ASC 310-30 Loan and debt securities*

## CANGO INC.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*****Repossessed assets-continued***

*acquired with deteriorated credit quality* and obtains legal title to any subsequent payments made by the borrower and the repossessed assets. Upon physical possession of the automobiles, which includes the transfer of title through the completion of regulatory proceedings, the Company derecognizes the financing loan receivable and records the repossessed asset at its estimated fair value, less cost to sell, as other non-current assets on the consolidated balance sheet. Any difference between the estimated fair value of the repossessed asset and the financing receivable is recognized in the consolidated statements of comprehensive income.

Repossessed assets are initially recognized at the fair value of the asset less estimated costs to sell. Any gains or losses from the disposal of the repossessed assets are recognized as other income or expense in the consolidated statements of comprehensive income.

***Property and equipment, net***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method with the residual value based on the estimated useful lives of the class of asset, which range as follows:

Category:	Estimated Useful Life	Estimated Residual Value
Office and electronic equipment	3-5 years	5%
Motor vehicles	4 years	5%

Costs associated with the repair and maintenance of property and equipment are expensed as incurred.

***Intangible assets***

Intangible assets represent purchased computer software. These intangible assets are amortized on a straight line basis over their estimated useful lives of the respective assets, which vary from 6-10 years.

***Research and development***

Research and development expenses are primarily incurred in the development of new services, new features, and general improvement of the Company's technology infrastructure to support its business operations. Research and development costs are expensed as incurred unless such costs qualify for capitalization as software development costs. In order to qualify for capitalization, (i) the preliminary project should be completed, (ii) management has committed to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended, and (iii) it will result in significant additional functionality in the Company's services. No research and development costs were capitalized during any period and year presented as the Company has not met all of the necessary capitalization requirements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Impairment of long-lived assets and intangible assets with definite lives*

Long-lived assets including intangible assets with definite lives, are assessed for impairment, whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with ASC 360, *Property, Plant and Equipment*. The Company measures the carrying amount of long-lived assets against the estimated undiscounted future cash flows associated with it. Impairment exists when the estimated undiscounted future cash flows are less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. No impairment loss was recognized for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively.

*Employee defined contribution plan*

Full time employees of the Company in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund, and other welfare benefits are provided to employees. Chinese labor regulations require that the Company make contributions to the government for these benefits based on a certain percentage of the employee’s salaries. The Company has no legal obligation for the benefits beyond the contributions. The total amount that was expensed as incurred was RMB 12,803,649, RMB 8,524,395 and RMB 20,405,507 (US\$ 3,066,975) for the year ended December 31, 2016, and nine months ended September 30, 2016 and 2017, respectively.

*Value added taxes (“VAT”)*

Since its inception, Shanghai Cango was certified as a general VAT taxpayer whose applicable tax rate was 6%. The subsidiaries of the VIE are all general VAT taxpayers, except for Tianjin Changtong, Kunming Cango, Jiangxi Cango, which are certified as small-scale VAT taxpayers with an applicable tax rate of 3% and Automobile Sales, whose applicable tax rate was 17%. VAT is reported as a deduction to revenue when incurred and amounted to RMB 33,126,862, RMB 15,491,793 and RMB 59,023,025 (US\$ 8,871,241) for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in accrued expenses and other current liabilities on the consolidated balance sheets.

*Income taxes*

The Company accounts for income taxes using the liability approach and recognizes deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the consolidated financial statements or in the Company’s tax returns. Deferred tax assets and liabilities are recognized on the basis of the temporary differences that exist between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements using enacted tax rates in effect for the year end period in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in earnings. Deferred tax assets are reduced by a valuation allowance through a charge to income tax expense when, in the opinion of management, it is more-likely-than-not that a portion of or all of the

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Income taxes-continued*

deferred tax assets will not be realized. The Company evaluates the potential for recovery of deferred tax assets by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies. The components of the deferred tax assets and liabilities are classified as non-current.

The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of the benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained (defined as a likelihood of more than fifty percent of being sustained upon an audit, based on the technical merits of the tax position), the tax position is then assessed to determine the amount of benefits to recognize in the consolidated financial statements. The amount of the benefits that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Company did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively.

*Segment information*

The Company’s chief operating decision maker is the Chief Executive Officer, who makes resource allocation decisions and assesses performance based on the consolidated financial results. As a result, the Company has only one reportable segment.

As the Company generates substantially all of its revenues in the PRC, no geographical segments is presented.

*Operating Leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are recognized on a straight-line basis over the lease term. Certain operating lease agreements contain rent holidays. Rent holidays are considered in determining the straight-line rent expense to be recorded over the lease term.

*Fair value measurements*

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Fair value measurements-continued*

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- |         |  |
|---------|--|
| Level 1 | Quoted prices in active markets for identical assets or liabilities.   |
| Level 2 | Observable inputs other than quoted prices in active markets, quoted prices for identical or similar assets and liabilities in inactive markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3 | Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.   |

*Share-based compensation*

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument. The Company recognizes the compensation costs net of estimated forfeitures using the straight-line method, over the applicable vesting period for each separately vesting portion of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

*Convenience translation for financial statements presentation*

Translations of amounts from RMB into US\$ for the convenience of the reader have been calculated at the exchange rate of RMB 6.6533 per US\$1.00 on September 29, 2017, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be converted into US\$ at such rate.

*Equity method investments*

The Company uses the equity method to account for equity investments over which it has significant influence but does not own a majority equity interest or otherwise control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The share of earnings or losses of the investee are recognized in the consolidated statements of comprehensive income. Equity method adjustments include the company’s proportionate share of investee income or loss and other adjustments required by the equity method.

The Company assesses its equity investment for other-than-temporary impairment by considering factors as well as relevant and available information including, but not limited to, current economic and market conditions, the operating performance of the investees including current earning trends, the general market

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Equity method investments-continued*

conditions in the investee’s industry or geographic area, factors related to the investee’s ability to remain in business, such as the investee’s liquidity, debt ratios, and cash burn rate and other company-specific information.

*Earnings per share*

Basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period and year presented.

Diluted earnings per ordinary share reflect the potential dilution that could occur if securities were exercised or converted into ordinary shares.

*Government grants*

Government grants include cash subsidies received by the Company’s entities in the PRC from local governments as incentives for investing in certain local districts and are typically granted based on the amount of investment made by the Company in these local districts. Such grants allow the Company full discretion in utilizing the funds and are used by the Company for general corporate purposes. The Company recognize government grants as other income when cash is received from the government.

*Unaudited interim condensed consolidated financial statements*

The accompanying unaudited interim condensed consolidated balance sheet as of September 30, 2017, the unaudited interim condensed consolidated statements of comprehensive income and cash flows for the nine months ended September 30, 2016 and 2017, and the related footnote disclosures are unaudited. These unaudited interim condensed consolidated financial statements of the Company are prepared in accordance with U.S. GAAP. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited annual financial statements, and reflect, in management’s opinion, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the Company’s financial position as of September 30, 2017 and its consolidated results of operations and cash flows for the nine months ended September 30, 2016 and 2017. These unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for audited annual financial statements.

*Significant risks and uncertainties*

*Currency convertibility risk*

Substantially all of the Company’s businesses are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People’s Bank of China (“PBOC”) or other authorized financial institution at exchange rates quoted by PBOC. Approval of foreign

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Significant risks and uncertainties-continued*

currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts.

*Concentration of credit risk*

Financial assets that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, and accounts receivable.

The Company places its cash and cash equivalents and short-term investments, with reputable financial institutions which have high-credit ratings. There has been no recent history of default related to these financial institutions.

The Company manages credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

*Concentration of customers*

Approximately 79.0%, 66.3% and 96.8% of revenues were derived from provision of services to two financial institutions and related borrowers for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively.

*Interest rate risk*

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities. As part of its asset and liability risk management, the Company reviews and takes appropriate steps to manage its interest rate exposures on its interest-bearing assets and liabilities. The Company has not been exposed to material risks due to changes in market interest rates, and does not use any derivative financial instruments to manage the interest risk exposure during the year/periods presented.

*Business and economic risk*

The Company believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, results of operations or cash flows; changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in certain strategic relationships; regulatory considerations and risks associated with the Company's ability to attract employees necessary to support its growth. The Company's operations could also be adversely affected by significant political, regulatory, economic and social uncertainties in the PRC.

*Seasonality*

The Company's business is subject to seasonality and therefore the operating results for the nine months ended September 30, 2016 and 2017 are not indicative of the estimated results for the full fiscal year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Recent accounting pronouncements***

In May 2014, the Financial Accounting Standard Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP.

The core principle of the guidance is that an entity should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In August 2015, the FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amendments in this ASU are effective for private companies annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. As an “emerging growth company,” or EGC, the Company has elected to take advantage of the extended transition period provided in the Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*. The amendments require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instruments-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This updated guidance is effective for private companies for the annual period beginning after December 15, 2018, including interim periods within the year. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) of the Securities Act for complying with new or revised

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Recent accounting pronouncements-continued*

accounting standards applicable to private companies. The Company is in the process of evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU modifies existing guidance for off-balance sheet treatment of a lessee’s operating leases by requiring lessees to recognize lease assets and lease liabilities, whilst, lessor accounting is largely unchanged. This ASU is effective for private companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815)*, which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU is required to assess the embedded call (put) options solely in accordance with the four step decision sequence. For private entities, the amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. An entity should apply the amendments in this ASU on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU makes targeted amendments to the accounting for employee share-based payments. This guidance is to be applied using various transition methods such as full retrospective, modified retrospective, and prospective based on the criteria for the specific amendments as outlined in the guidance. For private entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Recent accounting pronouncements-continued*

financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Company’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. For private entities, this ASU is effective for annual periods beginning after December 15, 2020, and interim reporting periods beginning within annual reporting periods beginning after December 15, 2021. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Company’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU does not provide a definition of restricted cash or restricted cash equivalents. This ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has early adopted this standard.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying Definition of a Business*. This ASU clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. As an EGC, the Company has elected to take

CANGO INC.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Recent accounting pronouncements-continued***

advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company does not believe this standard will have a material impact on the consolidated statements of comprehensive income or balance sheets.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, as opposed to determining an implied fair value in Step two to measure the impairment loss. The guidance is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual and interim goodwill impairment testing dates on or after January 1, 2017. The guidance should be applied on a prospective basis. The Company does not believe this standard will have a material impact on the results of operations or financial condition.

In February 2017, the FASB issued ASU No. 2017-05, *Other income—Gains and Losses from the Derecognition of Nonfinancial assets*, which clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments in this update also clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. This update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. As an EGC, the Company has elected to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards applicable to private companies. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

**3. SHORT-TERM INVESTMENTS**

Short-term investments consist of wealth management products issued by Bank of China Limited (“Bank of China”) and Shanghai Pudong Development Bank Co., Ltd., which are redeemable by the Company at any time. The wealth management products are primarily invested in debt securities issued by the PRC government, corporate debt securities and central bank bills. The Company valued the short-term investments based on the quoted subscription/redemption price published by the relevant banks. As of December 31, 2016 and September 30, 2017, the net adjustments to unrealized holding gains/losses on short-term investments was nil.

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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**4. ACCOUNTS RECEIVABLE, NET**

Accounts receivable and the related allowance for doubtful accounts are summarized as follows:

	As of December 31, 2016 <u>(Audited)</u> RMB	As of September 30, 2017 <u>(Unaudited)</u> RMB	<u>(Unaudited)</u> US\$
Accounts receivable	469,385	166,855,626	25,078,627
Less: Allowance for doubtful accounts	—	—	—
Accounts receivable, net	<u>469,385</u>	<u>166,855,626</u>	<u>25,078,627</u>

No amounts have been written off during the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017, respectively.

**5. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consist of the following:

	As of December 31, 2016 <u>(Audited)</u> RMB	As of September 30, 2017 <u>(Unaudited)</u> RMB	<u>(Unaudited)</u> US\$
Prepaid expenses	2,412,121	16,619,388	2,497,917
Prepaid deposit for investment	—	51,500,000	7,740,520
Deposits held by third-parties	5,080,260	4,772,388	717,296
Telematics devices	961,143	4,639,387	697,306
Others	2,570,746	7,276,540	1,093,675
	<u>11,024,270</u>	<u>84,807,703</u>	<u>12,746,714</u>

**6. LONG-TERM INVESTMENTS**

Long-term investments consist of the following:

	As of December 31, 2016 <u>(Audited)</u> RMB	As of September 30, 2017 <u>(Unaudited)</u> RMB	<u>(Unaudited)</u> US\$
Cost method equity investments	63,400,000	141,534,200	21,272,782
Available-for-sale securities	122,400,000	—	—
	<u>185,800,000</u>	<u>141,534,200</u>	<u>21,272,782</u>

Long-term investments consist of subordinated trust units of automobile backed loans issued by Jincheng Bank Co., Ltd. (“Jincheng Bank”). As of December 31, 2016 and September 30, 2017, the investments in subordinated trust units of automobile backed loans were not in an unrealized loss position, and no other-than-temporary impairment has been recognized in earnings.

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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**7. EQUITY METHOD INVESTMENTS**

In September 2015, the Company and three unrelated third parties jointly established Shanghai Autohome Financing Lease Co., Ltd. (“Shanghai Autohome”), which mainly provides automobile finance leasing services, with registered capital of RMB 300,000,000. Each of the founding parties held a 25% equity interest.

In June 2017, the Company acquired an additional 25% equity interest in Shanghai Autohome with a purchase consideration of RMB 90 million. As the Company has significant influence over Shanghai Autohome, Shanghai Autohome was accounted for as an equity method investment.

The following table presents the gross assets and liabilities of Shanghai Autohome as of December 31, 2016 and September 30, 2017:

	As of December 31, 2016	As of September 30, 2017	
	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Total Assets	999,902,833	886,949,498	133,309,709
Total Liabilities	(721,958,673)	(605,885,452)	(91,065,403)

The Company’s share of (loss)/profit in Shanghai Autohome for the year ended December 31, 2016 and the nine months ended September 30, 2016 and 2017 of RMB (9,375,123), RMB (7,031,342) and RMB 2,487,573 (US\$ 373,886), respectively was recognized in the consolidated statements of comprehensive income.

The Company’s share of profit / (loss) in the remaining equity method investments were not material for the year ended December 31, 2016 and the nine months ended September 30, 2016 and 2017.

**8. PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following:

	As of December 31, 2016	As of September 30, 2017	
	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Office and electronic equipment	4,795,793	9,669,494	1,453,338
Motor vehicles	1,659,128	1,660,009	249,502
Less: Accumulated depreciation	2,566,529	3,804,341	571,798
	<u>3,888,392</u>	<u>7,525,162</u>	<u>1,131,042</u>

Depreciation expenses for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017 was RMB 939,143, RMB 625,180 and RMB 1,410,072 (US\$ 211,936), respectively.

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9. INTANGIBLE ASSETS

Intangible assets consist of the following:

	As of December 31, 2016 <u>(Audited)</u> RMB	As of September 30, 2017	
		<u>(Unaudited)</u> RMB	<u>(Unaudited)</u> US\$
Software	2,088,478	2,846,996	427,907
Less: Accumulated amortization	861,004	1,067,289	160,415
	<u>1,227,474</u>	<u>1,779,707</u>	<u>267,492</u>

Amortization expenses for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017 was RMB 232,317, RMB 173,343 and RMB 206,285 (US\$ 31,005), respectively.

The estimated useful life of the intangible assets are 6-10 years. The estimated aggregate amortization expenses for the remaining period of 2017 and each of the five succeeding fiscal years are as follows:

	<u>2017</u> (October 1 – December 31) RMB	<u>2018</u> RMB	<u>2019</u> RMB	<u>2020</u> RMB	<u>2021</u> RMB	<u>2022</u> RMB
Software	<u>77,935</u>	<u>311,742</u>	<u>311,742</u>	<u>311,742</u>	<u>285,389</u>	<u>133,087</u>

10. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	As of December 31, 2016 <u>(Audited)</u> RMB	As of September 30, 2017	
		<u>(Unaudited)</u> RMB	<u>(Unaudited)</u> US\$
Loans to minority shareholders	17,245,633	5,390,000	810,124
Repossessed assets	5,503,330	5,340,350	802,662
Others	3,950,344	7,575,599	1,138,623
	<u>26,699,307</u>	<u>18,305,949</u>	<u>2,751,409</u>

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11. SHORT-TERM AND LONG-TERM BORROWINGS

The following table presents short-term borrowings as of December 31, 2016 and September 30, 2017. Short-term borrowings includes borrowings with terms shorter than one year, the current portion of the long-term borrowings, and long-term borrowings with early repayment options that are exercisable upon demand:

Name	Fixed annual rate (%)	Term	As of December 31,	As of September 30,	
			2016	2017	
			(Audited)	(Unaudited)	(Unaudited)
			RMB	RMB	US\$
Trust borrowings	5.50%	1 year	—	22,680,400	3,408,895
Bank borrowings	4.35%	1 year	—	70,000,000	10,521,095
			—	92,680,400	13,929,990

The following table presents long-term borrowings as of December 31, 2016 and September 30, 2017:

Name	Fixed annual rate (%)	Term	As of December 31,	As of September 30, 2017	
			2016	(Unaudited)	(Unaudited)
			(Audited)	RMB	US\$
			RMB		
Trust borrowings	4.75%-5.06%	3 years	189,572,500	100,962,500	15,174,800

Payments for short-term and long-term borrowings are due at the end of their respective maturities. The weighted average interest rate for the outstanding borrowings was approximately 4.75% as of December 31, 2016 and September 30, 2017, respectively.

The following table sets forth the contractual obligations which has not included impact of discount of time value as of December 31, 2016 and September 30, 2017:

	Payment due by period			
	Less than 1 year	1 – 2 years	2 – 3 years	Total
As of December 31, 2016 (RMB)				
Long-term borrowings and Interest payables	9,004,694	9,004,694	198,577,194	216,586,582
As of September 30, 2017 (RMB)				
Long-term borrowings and Interest payables	4,900,468	4,900,468	102,615,060	112,415,996
As of September 30, 2017 (US\$)				
Long-term borrowings and Interest payables	736,547	736,547	15,423,182	16,896,276

## CANGO INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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**12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

	As of December 31, 2016	As of September 30, 2017	
	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Deposit due to third-parties	24,980,871	22,537,848	3,387,469
Customer advances	1,100,669	29,138,004	4,379,481
Unearned income	—	28,674,776	4,309,858
Payable to dealers	25,803,669	38,799,994	5,831,692
Payable to employees	11,916,910	162,946	24,491
Payable to suppliers	4,954,846	4,244,383	637,937
Other tax payables	16,156,135	12,150,782	1,826,279
Others	941,097	12,006,261	1,804,557
	<u>85,854,197</u>	<u>147,714,994</u>	<u>22,201,764</u>

**13. RISK ASSURANCE LIABILITIES**

The movement of risk assurance liabilities during the year ended December 31, 2016 and nine months for September 30, 2017 are as follows:

	As of December 31, 2016	As of September 30, 2017	
	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Balance at the beginning of the year	170,764,695	149,787,763	22,513,304
Fair value of risk assurance liabilities upon the inception of new loans	31,959,646	35,334,983	5,310,896
Performed risk assurance liabilities	(53,680,452)	(68,169,775)	(10,246,010)
Net loss/(gain) on risk assurance liabilities	743,874	(37,640,739)	(5,657,454)
Balance at the closing of the year / period	<u>149,787,763</u>	<u>79,312,232</u>	<u>11,920,736</u>

The maximum potential undiscounted future payment which the Company would be required to make under its risk assurance obligation is RMB 1,546,296,254 and RMB 3,144,367,325 (US\$ 472,602,667) as of December 31, 2016 and September 30, 2017, respectively. The term of the risk assurance obligation ranges from 6 months to 60 months, as of December 31, 2016 and September 2017.

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**14. OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities consist of the following:

	As of December 31, 2016	As of September 30, 2017	
	RMB	RMB	US\$
Amount due to third-parties	27,322,652	35,749,330	5,373,173

**15. COST OF REVENUES**

Cost of revenues consists of the following:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Commission paid to car dealerships	45,393,843	85,361,070	108,911,963	16,369,616
Staff costs	16,042,969	27,197,325	32,120,366	4,827,735
Others	37,414,391	57,485,979	61,532,953	9,248,485
	98,851,203	170,044,374	202,565,282	30,445,836

**16. OTHER INCOME**

Other income consists of the following:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Government grants	7,993,870	8,151,444	15,433,990	2,319,750
Others	291,748	509,328	3,483,603	523,590
	8,285,618	8,660,772	18,917,593	2,843,340

**17. INCOME TAXES**

The Company was incorporated in the Cayman Islands. It is tax-exempted under the tax laws of the Cayman Islands. Cango HK is domiciled in Hong Kong, and is subject to 16.5% statutory income tax rate in the periods presented.

CANGO INC.

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17. INCOME TAXES - CONTINUED

The VIE and its subsidiaries domiciled in the PRC are subject to 25% statutory income tax rate in the periods presented. The Company is tax-exempt.

The Enterprise Income Tax Law (the “EIT Law”) of the PRC includes a provision specifying that legal entities organized outside PRC will be considered residents for Chinese income tax purposes if their place of effective management or control is within PRC. If legal entities organized outside PRC were considered residents for Chinese income tax purpose, they would become subject to the EIT Law on their worldwide income. This would cause any income from legal entities organized outside PRC earned to be subject to PRC’s 25% EIT. The Implementation Rules to the EIT Law provides that non-resident legal entities will be considered as PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, and properties, etc. reside within PRC.

Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that the legal entities organized outside PRC should be characterized as PRC residents for EIT Law purposes.

The current and deferred component of income tax expenses which were substantially attributable to the Company’s PRC subsidiaries, VIE and subsidiaries of the VIE, are as follows:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Current income tax expense	21,729,219	50,151,251	103,153,372	15,504,091
Deferred income tax expense	(1,592,786)	2,863,061	3,877,287	582,762
<b>Total income tax expense</b>	<b>20,136,433</b>	<b>53,014,312</b>	<b>107,030,659</b>	<b>16,086,853</b>

The principal components of the deferred tax assets and liabilities are as follows:

	As of December 31, 2016	As of September 30, 2017	
	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
<b>Non-current deferred tax assets</b>			
Risk assurance liabilities	54,342,250	50,030,408	7,519,638
Accrued expense	546,270	980,825	147,419
Net operating loss carry forwards	2,438,628	3,913,669	588,230
Less: valuation allowance	(2,438,628)	(3,913,669)	(588,230)
<b>Non-current deferred tax assets, net</b>	<b>54,888,520</b>	<b>51,011,233</b>	<b>7,667,057</b>
<b>Non-current deferred tax liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>

## CANGO INC.

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## 17. INCOME TAXES - CONTINUED

The Company operates through its subsidiaries, VIE and subsidiaries of the VIE. The valuation allowance is considered on an individual entity basis. The Company records a valuation allowance where, based on all available evidence, it is more likely than not some portion or all of the recorded deferred tax assets will not be realized in future periods.

Reconciliation between the income tax expense computed by applying the PRC tax rate to income before the provision of income taxes and the actual provision for income taxes is as follows:

	Nine months ended September 30, 2016	Year ended December 31, 2016	Nine months ended September 30, 2017	
	(Unaudited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$
Income before provision of income tax	60,695,896	186,495,374	426,268,399	64,068,717
PRC statutory income tax rate	25%	25%	25%	25%
Income tax at statutory tax rate	15,173,974	46,623,844	106,567,100	16,017,179
Expenses not deductible for tax purposes	3,674,319	3,951,840	67,980	10,217
Income not taxable for tax purposes	—	—	(1,079,462)	(162,245)
Change in valuation allowance	1,288,140	2,438,628	1,475,041	221,702
Income tax expenses	<u>20,136,433</u>	<u>53,014,312</u>	<u>107,030,659</u>	<u>16,086,853</u>

The Company did not incur any interest and penalties related to potential underpaid income tax expenses.

The relevant tax authorities have not conducted a tax examination on PRC entities. In accordance with relevant PRC tax administration laws, the tax for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017 of the Company’s PRC subsidiaries, VIE and subsidiaries of the VIE remain subject to tax audits by the relevant tax authorities as of December 31, 2016.

Management has asserted to indefinitely reinvest the undistributed earnings of the subsidiaries located in the PRC. The cumulative amount of the temporary differences in respect of investments in foreign subsidiaries is RMB406,837,168 (US\$61,148,177) as of September 30, 2017. Upon repatriation of the foreign subsidiaries and the VIE’s earnings, in the form of dividends or otherwise, the Company would be subject to various PRC income taxes including withholding income tax. The related unrecognized deferred tax liabilities were approximately RMB162,734,867 (US\$24,459,271).

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**18. OTHER COMPREHENSIVE INCOME, NET OF TAX**

The changes in accumulated other comprehensive income by component, net of tax, were as follows:

	Unrealized losses on available-for-sale securities RMB
Balance at December 31, 2015	—
Net current-period other comprehensive income	—
Balance at December 31, 2016	—
Other comprehensive loss before reclassification	(2,065,258)
Amounts reclassified from other comprehensive loss	2,065,258
Net current-period other comprehensive income	—
Balance at September 30, 2017	—
Balance at September 30, 2017 in US\$	—

CANGO INC.

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**19. EARNINGS PER SHARE (“EPS”)**

The following table sets forth the computation of basic and diluted net income per share for the year ended December 31, 2016 and nine months ended September 30, 2016 and 2017:

Undistributed earnings allocated to participating securities are subtracted from net income in determining net income attributable to ordinary shareholders. Basic EPS is computed by dividing net income attributable to ordinary shareholders by the weighted-average number of shares of our ordinary share outstanding, adjusted for participating securities that are convertible in the future.

Basic EPS:	Nine months ended September 30, 2016		For the year ended December 31, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2017	
	Ordinary Shares (Unaudited) RMB	Series A-2 preferred shares (Unaudited) RMB	Ordinary Shares (Audited) RMB	Series A-2 preferred shares (Audited) RMB	Ordinary Shares		Series A-2 preferred shares	
					(Unaudited) RMB	(Unaudited) US\$	(Unaudited) RMB	(Unaudited) US\$
<b><i>Numerator:</i></b>								
Net income attributable to Cango Inc’s shareholders	39,981,367	697,191	126,696,659	2,209,325	300,885,098	45,223,437	5,246,806	788,602
Less: Allocation of net income to participating securities	19,874,717	346,573	62,980,843	1,098,254	149,569,825	22,480,547	2,608,185	392,014
Net income attributable to ordinary shareholders and Series A-2 preferred shareholders	20,106,650	350,618	63,715,816	1,111,071	151,315,273	22,742,890	2,638,621	396,588
<b><i>Denominator:</i></b>								
Number of shares used for basic EPS computation (millions of shares)	124.97	2.18	124.97	2.18	124.97	124.97	2.18	2.18
Basic EPS	0.16	0.16	0.51	0.51	1.21	0.18	1.21	0.18

The computation of the diluted EPS assumes the conversion of all convertible preferred shares to ordinary share. Diluted EPS attributable to ordinary shareholders is computed by dividing the resulting net income attributable to ordinary shareholders by the weighted-average number of fully diluted ordinary shares outstanding.

**CANGO INC.**

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**AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

**(Amounts in Renminbi (“RMB”) and US dollar (“US\$”), except for number of shares and per share data)**

**19. EARNINGS PER SHARE (“EPS”) - CONTINUED**

Basic and diluted EPS are the same for each class of ordinary share because they are entitled to the same liquidation and dividend rights.

Diluted EPS:	Nine months ended September 30, 2016		For the year ended December 31, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2017	
	Ordinary Shares	Series A-2 preferred shares	Ordinary Shares	Series A-2 preferred shares	Ordinary Shares		Series A-2 preferred shares	
	(Unaudited) RMB	(Unaudited) RMB	(Audited) RMB	(Audited) RMB	(Unaudited) RMB	(Unaudited) US\$	(Unaudited) RMB	(Unaudited) US\$
<b>Numerator:</b>								
Net income attributable to ordinary shareholders and Series A-2 preferred shareholders	20,106,650	350,618	63,715,816	1,111,071	151,315,273	22,742,890	2,638,621	396,588
Reallocation of net income attributable to participating securities	20,221,290	—	64,079,097	—	152,178,010	22,872,561	—	—
Reallocation of net income as a result of conversion of Series A-2 preferred shares to ordinary shares	350,618	—	1,111,071	—	2,638,621	396,588	—	—
Net income attributable to ordinary shareholders and Series A-2 preferred shareholders for diluted EPS	<u>40,678,558</u>	<u>350,618</u>	<u>128,905,984</u>	<u>1,111,071</u>	<u>306,131,904</u>	<u>46,012,039</u>	<u>2,638,621</u>	<u>396,588</u>
<b>Denominator:</b>								
Number of shares used for basic EPS computation (millions of shares)	124.97	2.18	124.97	2.18	124.97	124.97	2.18	2.18
Conversion of Series A-2 preferred shares to ordinary shares (millions of shares)	2.18	—	2.18	—	2.18	2.18	—	—
<b>Weighted average effect of dilutive securities:</b>								
Conversion of Series A-1, A-3 and B preferred shares to ordinary shares (millions of shares)	125.68	—	125.68	—	125.68	125.68	—	—
Number of shares used for diluted EPS computation (millions of shares)	<u>252.83</u>	<u>2.18</u>	<u>252.83</u>	<u>2.18</u>	<u>252.83</u>	<u>252.83</u>	<u>2.18</u>	<u>2.18</u>
Diluted EPS	<u>0.16</u>	<u>0.16</u>	<u>0.51</u>	<u>0.51</u>	<u>1.21</u>	<u>0.18</u>	<u>1.21</u>	<u>0.18</u>

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19. EARNINGS PER SHARE (“EPS”) - CONTINUED

The unaudited pro forma net income per ordinary share is computed using the weighted-average number of ordinary shares outstanding and assumes the automatic conversion of all Series A and Series B Preferred Shares into 127,861,729 weighted-average shares of ordinary shares upon the closing of the Company's qualified IPO as defined in Note 24 of the consolidated financial statements, as if it had occurred on January 1, 2017.

The following table summarizes the unaudited pro forma net income per share:

Pro forma Basic and Diluted EPS:	Nine months ended September 30, 2017		Nine months ended September 30, 2017	
	Ordinary Shares		Series A-2 preferred shares	
	(Unaudited) RMB	(Unaudited) US\$	(Unaudited) RMB	(Unaudited) US\$
<b>Numerator:</b>				
Net income attributable to ordinary shareholders and Series A-2 preferred shareholders				
—basic	151,315,273	22,742,890	2,638,621	396,588
Reallocation of net income attributable to participating securities	152,178,010	22,872,561	—	—
Reallocation of net income as a result of conversion of Series A-2 preferred shares to ordinary shares	2,638,621	396,588	—	—
Net income attributable to ordinary shareholders for basic and diluted pro forma EPS	<u>306,131,904</u>	<u>46,012,039</u>	<u>2,638,621</u>	<u>396,588</u>
<b>Denominator:</b>				
Number of shares used for basic EPS computation (millions of shares)	124.97	124.97	2.18	2.18
Conversion of Series A-2 preferred shares to ordinary shares (millions of shares)	2.18	2.18	—	—
Weighted average effect of dilutive securities:				
Conversion of Series A-1, A-3 and B preferred shares to ordinary shares (millions of shares)	125.68	125.68	—	—
Number of shares used for basic and diluted pro forma EPS (millions of shares)	<u>252.83</u>	<u>252.83</u>	<u>2.18</u>	<u>2.18</u>
Pro forma EPS—Basic and Diluted	<u>1.21</u>	<u>0.18</u>	<u>1.21</u>	<u>0.18</u>

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## 20. FAIR VALUE MEASUREMENTS

*Assets and liabilities disclosed at fair value*

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

- **Short term investments**—Short term investments are carried at fair value based on observable market prices, when available. If observable market prices are not available, the Company determines fair value based using a market-based discount rate and considers recent market transactions, experience with similar securities, and current business conditions;
- **Available-for-sale securities**—Available-for-sale securities are carried at their fair value using the present value of the cash flows expected to be collected. The Company updates the estimated cash flow at each reporting period and considers all relevant available information, including past events, current conditions and reasonable and supportable forecasts;

The following table summarizes the Company's financial assets measured and recorded at fair value on recurring basis as of December 31, 2016:

	As of December 31, 2016			
	Active market (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
	RMB	RMB	RMB	RMB
<b>Assets:</b>				
Short-term investments				
Monetary wealth management products	—	106,000,000	—	106,000,000
Available-for-sale securities	—	—	122,400,000	122,400,000

## CANGO INC.

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## 20. FAIR VALUE MEASUREMENTS - CONTINUED

*Assets and liabilities disclosed at fair value-continued*

The following table summarizes the Company's financial assets measured and recorded at fair value on recurring basis as of September 30, 2017:

	As of September 30, 2017			Total RMB
	Active market (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	
	RMB	RMB	RMB	
<b>Assets:</b>				
Short-term investments				
Monetary wealth management products	—	89,390,000	—	89,390,000

	As of September 30, 2017			Total US\$
	Active market (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	
	US\$	US\$	US\$	
<b>Assets:</b>				
Short-term investments				
Monetary wealth management products	—	13,435,439	—	13,435,439

*Quantitative information about Level 3 fair value measurements*

The Company did not transfer any assets in or out of level 3 during the year ended December 31, 2016 and for the nine months ended September 30, 2017.

*Qualitative information about Level 3 fair value measurements*

The Company estimates the fair value of the available-for-sale securities using a discounted cash flow methodology. The significant unobservable input used in the fair value measurement is the discount rate applied in the valuation models. This input in isolation can cause significant increases or decreases in fair value. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of available-for-sale securities; conversely a decrease in the discount rate can significantly increase the fair value of the available-for-sale securities. The discount rate is determined based on the market rates.

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20. FAIR VALUE MEASUREMENTS - CONTINUED

*Significant Unobservable Inputs*

Financial Assets	Unobservable Input	As of December 31, 2016 Weighted — Average
Available for sale securities	Discount rate	5.77%

21. RELATED PARTY BALANCES AND TRANSACTIONS

Name of related parties	Relationship with the Company
Lin Jiayuan	Principal shareholder and Chief Executive Officer of the Company
Jincheng Bank(i)	Company under significant influence of principal shareholder of the Company
Shanghai Wangjin Investment Management Co, Ltd.	Company controlled by principal shareholder of the Company
Shanghai Autohome	The Company’s equity method investee
Hebei Jiahui Consultation Service Co., Ltd.	The Company’s equity method investee
Liaoning Junan Automobile Consultation Service Co, Ltd.	The Company’s equity method investee

- (i) Mr. Zhang Xiaojun, one of the co-founders and principal shareholders of the Company, was appointed as a member of the Board of Directors of Jincheng Bank on March 24, 2015. He subsequently resigned from the Board of Directors on September 19, 2017. Therefore, Jincheng Bank was deemed to be a related party for the year ended December 31, 2016 and for the period from January 1, 2017 through September 19, 2017.

Details of related party balances and transactions as of December 31, 2016 and September 30, 2017 are as follows:

21.1 Amounts due to related parties

	As of	As of	
	December 31, 2016 (Audited) RMB	September 30, 2017 (Unaudited) RMB	September 30, 2017 (Unaudited) US\$
Hebei Jiahui Consultation Service Co, Ltd.	700,000	1,200,000	180,362
Liaoning Junan Automobile Consultation Service Co, Ltd.	3,315,000	4,315,000	648,550
Shanghai Autohome	500,000	500,000	75,151
	<u>4,515,000</u>	<u>6,015,000</u>	<u>904,063</u>

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21. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

21.2 Amounts due from related parties

	Notes	As of December 31, 2016 (Audited) RMB	As of September 30, 2017 (Unaudited)	
			RMB	US\$ (Unaudited)
Shanghai Autohome	(i)	8,963,726	1,343,667	201,955
Jincheng Bank	(i)	129,595,597	—	—
Lin Jiayuan	(ii)	37,708,972	78,339,367	11,774,513
Shanghai Wangjin Investment Management Co., Ltd.	(ii)	31,787,302	42,269,274	6,353,129
		<u>208,055,597</u>	<u>121,952,308</u>	<u>18,329,597</u>

(i) The balance mainly represents service fees receivable from related parties.

(ii) The balance represents the borrowings provided to related parties. The borrowing terms were approximately 5 years. The weighted average interest rate for the outstanding borrowings was 4.90% as of September 30, 2016, December 31, 2016 and September 30, 2017, respectively.

21.3 Transactions with related parties

	Nine months ended September 30, 2016 (Unaudited) RMB	Year ended December 31, 2016 (Audited) RMB	Nine months ended at September 30, 2017 (Unaudited)	
			RMB	US\$ (Unaudited)
<b>Revenue</b>				
Shanghai Autohome	14,435,375	32,125,478	16,914,307	2,542,243
Jincheng Bank	109,228,154	287,310,614	526,426,758	79,122,655
	<u>123,663,529</u>	<u>319,436,092</u>	<u>543,341,065</u>	<u>81,664,898</u>
<b>Interest income</b>				
Lin Jiayuan	1,700,005	2,359,015	1,980,352	297,650
Shanghai Wangjin Investment Management Co., Ltd	696,978	937,346	1,331,928	200,191
	<u>2,396,983</u>	<u>3,296,361</u>	<u>3,312,280</u>	<u>497,841</u>

For the year ended December 31, 2016 and nine months ended September 30, 2017, the Company invested in subordinated trust units of automobile backed loans issued by Jincheng Bank amounting to RMB185,800,000 and RMB183,134,200 (US\$27,525,318), respectively and which was classified as long-term investments. As of December 31, 2016 and September 30, 2017, the investments in subordinated trust units of automobile backed loans were not in an unrealized loss position and no other-than-temporary impairment was recognized in earnings.

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**22. SHARE-BASED COMPENSATION**

The Company granted 4,000,000 and 2,400,000 fully vested equity interests in its subsidiaries to sales and marketing employees in recognition of their services to the Company for the year ended December 31, 2016 and nine months ended September 30, 2016, respectively. In accordance with ASC Topic 718 *Share based payments*, the Company recorded share-based compensation expense on the grant date of the equity interests to its employees equal to the estimated fair-value of such equity interests at the measurement date, which was determined to be RMB4,100,000 and RMB2,880,000 for the year ended December 31, 2016 and nine months ended September 30, 2016, respectively. The share-based compensation expense was recorded in sales and marketing expenses on the consolidated statements of comprehensive income.

**23. COMMITMENTS AND CONTINGENCIES***Operating lease commitments*

The Company leases certain office premises under non-cancelable leases. Rental expenses under operating leases for the year ended December 31, 2016 and nine months ended September 30, 2017 were RMB 15,177,149 and RMB 26,387,396 (US\$ 3,966,061), respectively.

Future minimum lease payments under non-cancelable operating leases agreements consist of the following as of December 31, 2016:

	RMB
Year ending December 31:	
2017	6,287,853
2018	5,606,807
2019 and after	3,282,489
Total	<u>15,177,149</u>

Future minimum lease payments under non-cancelable operating leases agreements consist of the following as of September 30, 2017:

	RMB
Year ending December 31:	
2017 (October 1-December 31)	2,904,361
2018	11,218,429
2019	8,754,438
2020 and after	3,510,168
Total	<u>26,387,396</u>

The Company’s operating lease commitments have no renewal options, rent escalation clauses, and restrictions or contingent rent.

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**24. REDEEMABLE CONVERTIBLE PREFERRED SHARES**

The Company issued Series A-1, Series A-2, Series A-3 and Series B Preferred Shares (collectively, the “Preferred Shares”) to the same group of third party shareholders of the VIE on March 23, 2018. Series A-1, Series A-3, and Series B Preferred Shares (collectively, the “Redeemable Preferred Shares”) are recorded at fair value on the issuance date and is presented on a retroactive basis.

The following is a summary of the significant terms of the Preferred Shares:

*Conversion rights*

The holders of the Preferred Shares are entitled to convert, at the option of the holder thereof, at any time after the date of issuance of the respective Preferred Shares, into such number of fully paid and non-assessable ordinary shares as is determined by the applicable conversion price. The initial conversion ratio for corresponding Preferred Shares shall be 1:1.

*Automatic Conversion*

Each Preferred Share will be automatically converted, based on the then-effective applicable Conversion Price without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon the earlier of (a) the closing of a qualified IPO, or (b) the date specified by written consent or agreement of the holders of a majority of the corresponding series Preferred Shares.

*Dividends*

Each preferred share held by certain major investors /or their assigns or transferees (on an as-if-converted basis) will be entitled to receive, on a pari passu basis, dividends, if declared, out of funds or assets legally available for the payment therefor, prior and in preference to any declaration or payment of any dividend on Series A-2 Preferred Shares and Ordinary Shares. If declared by the Board, each time the amount of dividends distributed shall be not less than 20% of the then total undistributed profit of the Company.

No dividends have been declared for the Redeemable Preferred Shares for the periods presented.

*Voting rights*

The holder of Preferred Shares will be entitled to such number of votes as equals the number of ordinary shares into which such holder’s collective Preferred Shares are convertible at the voting date. To the extent that the Company’s articles allow the Preferred Shares to vote separately as a class or series with respect to any matters, such Preferred Shares shall have the right to vote separately as a class or series with respect to such matters.

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**24. REDEEMABLE CONVERTIBLE PREFERRED SHARES - CONTINUED**

*Redemption*

The Redeemable Preferred Shares are redeemable by the holders at any time after the earlier of the occurrence of the following event:

- (i) a qualified IPO is not consummated by the Company by the 4th anniversary of the Series B investment date; with respect to Series B Preferred Shareholder, automatic conversion is triggered if a qualified IPO has not been consummated by the Company before December 31, 2022; or an initial public offering of the Company at any time which is not a qualified IPO;
- (ii) any material breach of the Preferred Share transaction documents, at an amount equal to the sum of the investment price, plus an amount accruing daily at 15% per annum and all declared but unpaid dividends;
- (iii) any other redeeming holder has delivered a redemption notice.

*Liquidation Preference*

In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution will be made as follows:

- The holders of Series B Preferred Shares are entitled to receive an amount equal to investment price plus an amount accruing daily at 12% per annum, in preference to any distribution to the holders of the Series A-3 Preferred Shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares and the ordinary shareholders of the Company;
- After the payment to the holders of Series B Preferred Shares, the holders of Series A-3 Preferred Shares are entitled to receive an amount equal to investment price plus an amount accruing daily at 12% per annum, in preference to any distribution to the holders of the Series A-1 Preferred Shares, Series A-2 Preferred Shares and the ordinary shareholders of the Company;
- After the payment to the holders of Series A-3 Preferred Shares, the holders of Series A-1 Preferred Shares are entitled to receive an amount equal to investment price plus an amount accruing daily at 12% per annum, in preference to any distribution to the holders of the Series A-2 Preferred Shares and the ordinary shareholders of the Company.

If there are any assets or funds remaining after the preference amount is distributed or paid in full to the Series B, Series A-3, and Series A-1 Preferred Shareholders, the remaining assets and funds of the Company available for distribution will be distributed ratably among all shareholders (including the holders of Redeemable Preferred Shares) according to the relative number of ordinary shares held by such shareholder on an if converted basis.

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**24. REDEEMABLE CONVERTIBLE PREFERRED SHARES - CONTINUED**

*Initial Measurement and Subsequent Accounting for Redeemable Preferred Shares*

The Redeemable Preferred Shares do not meet the criteria of mandatorily redeemable financial instruments specified in ASC 480-10-S99, and have been classified as mezzanine equity in the consolidated balance sheets. The Redeemable Preferred Shares were initially measured at fair value. Beneficial conversion features exist when the conversion price of the convertible preferred shares is lower than the fair value of the ordinary shares at the commitment date, which is the issuance date in the Company’s case. When a beneficial conversion feature exists as of the commitment date, its intrinsic value is bifurcated from the carrying value of the convertible preferred shares as a contribution to additional paid-in capital. On the commitment date, the most favorable conversion price used to measure the beneficial conversion feature of the Redeemable Preferred Shares was higher than the fair value per ordinary share and therefore no bifurcation of beneficial conversion feature was recognized. The Company determined the fair value of ordinary shares with the assistance of an independent third party valuation firm.

The Company elected to recognize the changes in redemption value immediately as they occur and adjust the carrying amount of the Redeemable Preferred Shares to equal the redemption value at each reporting period. The changes in redemption value including cumulative dividends shall be recorded as a reduction of income available to ordinary shareholders in accordance with ASC 480-10-S99 3A.

The Company concluded that there is no accretion to be recognized because the carrying amount of the Redeemable Preferred Shares is greater than the redemption value. Therefore, no adjustment will be made to the initial carrying amount of the Redeemable Preferred Shares until the redemption amount exceeds the carrying amount of the Redeemable Preferred Shares. The liquidation preference amount was RMB nil and RMB32.8 million (US\$4.9 million) as of December 31, 2016 and September 30, 2017, respectively.

**25. RESTRICTED NET ASSETS**

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the VIE and subsidiaries of the VIE incorporated in PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The consolidated results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s subsidiaries.

Under PRC law, the Company’s subsidiaries, VIE and the subsidiaries of the VIE located in the PRC (collectively referred as the “PRC entities”) are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund. The PRC entities are required to allocate at least 10% of their after tax profits on an individual company basis as determined under PRC accounting standards to the statutory reserve and has the right to discontinue allocations to the statutory reserve if such reserve has reached 50% of registered capital on an individual company basis. In addition, the registered capital of the PRC entities is also restricted.

Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the subsidiary. The PRC entities are also subject to similar statutory reserve

CANGO INC.

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**25. RESTRICTED NET ASSETS - CONTINUED**

requirements. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances or cash dividends.

Amounts restricted that include paid in capital and statutory reserve funds, as determined pursuant to PRC GAAP, are RMB230,481,894 and RMB958,242,193 (US\$144,025,099) as of December 31, 2016 and September 30, 2017, respectively.

**26. SUBSEQUENT EVENTS**

The subsequent events have been evaluated through March 23, 2018, the date the consolidated financial statements were issued.

In September 2017, the Company entered into a series of agreements with its shareholder, Shanghai Autohome’s shareholder and their related parties to acquire an additional 25% of the equity interests in Shanghai Autohome for a total consideration of RMB 103,000,000. The transaction is expected to close in 2018, whereby the Company will hold 75% of the equity interest in Shanghai Autohome.

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**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 6. *Indemnification of Directors and Officers***

Cayman Islands law does not limit the extent to which a company's articles of association may provide indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to the public interest, such as providing indemnification against civil fraud or the consequences of committing a crime. The registrant's articles of association provide that each officer or director of the registrant shall be indemnified out of the assets of the registrant against any liability incurred by him or her in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favor, or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his or her part, or in which he or she is acquitted or in connection with any application in which relief is granted to him or her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the registrant.

Under the form of indemnification agreements to be filed as Exhibit 10.1 to this registration statement, we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**Item 7. *Recent Sales of Unregistered Securities***

We are incorporated as Cango Inc. in October 2017 and has since then issued and sold the securities described below without registering the securities under the Securities Act. None of these transactions involved any underwriters' underwriting discounts or commissions, or any public offering. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S or Rule 701 under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering.

In the fourth quarter of 2017, five investors, including Medway Brilliant Holding Limited, Eagle Central Holding Limited, Xiehuai L.P. and Huaiyuan L.P., subscribed for 120,126,900 of our ordinary shares for consideration of US\$12,013. We have agreed to issue 4,843,087 of our ordinary shares to four investors, including Eagle Central Holding Limited, Xiehuai L.P. and Huaiyuan L.P., for consideration of US\$484 prior to the completion of this offering.

We have agreed to issue 53,431,125 of our Series A-1 preferred shares to Warburg Pincus Cango Fintech Investment Company Limited for consideration of US\$5,343, 2,179,215 of our Series A-2 preferred shares to an investor for consideration of \$218 and 10,308,663 of our Series A-3 preferred shares to an investor for consideration of \$1,031 prior to the completion of this offering.

We have agreed to issue 61,942,726 of our Series B preferred shares to nine investors, including Tencent Mobility Limited and the Taikang Offshore Entities (including Magic Spark Inc. and TK Autolink Inc.), for consideration of US\$6,194 prior to the completion of this offering.

**Item 8. Exhibits and Financial Statement Schedules**

**(a) Exhibits**

See Exhibit Index beginning on page II-3 of this Registration Statement.

**(b) Financial Statement Schedules.**

All supplement schedules are omitted because of the absence of conditions under which they are required or because the information is shown in the financial statements or notes thereto.

**Item 9. Undertakings**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant under the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description of Exhibit</u></b>
1.1*	Form of Underwriting Agreement
3.1*	Amended and Restated Memorandum and Articles of Association of the Registrant, dated March 23, 2018
3.2*	Form of Amended and Restated Memorandum and Articles of Association of the Registrant
4.1*	Specimen of Ordinary Share Certificate
4.2**	Form of Deposit Agreement between the Registrant and _____, as depositary
4.3**	Form of American Depositary Receipt evidencing American Depositary Shares (included in Exhibit 4.2)
4.4*	Shareholders Agreement, dated March 23, 2018
5.1*	Form of opinion of Conyers Dill & Pearman regarding the validity of the ordinary shares being registered
8.1*	Form of opinion of Simpson Thacher & Bartlett LLP regarding certain United States federal tax matters
8.2*	Form of opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters
8.3*	Form of opinion of Fangda Partners regarding certain PRC tax matters (included in Exhibit 99.3)
10.1*	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.2*	Form of Employment Agreement between the Registrant and its executive officers
10.3*	Form of Equity Interest Pledge Agreement by and among Can Gu Long (Shanghai) Information Technology Consultation Service Co., Ltd. (“Can Gu Long”), Shanghai Cango Investment and Management Consultation Service Co., Ltd. (“Shanghai Cango”) and each shareholder of Shanghai Cango
10.4*	Form of Power of Attorney by each shareholder of Shanghai Cango
10.5*	Exclusive Business Cooperation Agreement by and between Can Gu Long and Shanghai Cango
10.6*	Form of Exclusive Option Agreement by and between Can Gu Long, Shanghai Cango and each shareholder of Shanghai Cango
10.7*	Financial Support Undertaking Letter issued by the Registrant to Shanghai Cango
10.8*	Service Agreement, dated January 26, 2016, between Jincheng Bank Co., Ltd. (“Jincheng Bank”) and Shanghai Cango
10.9*	Cooperation Agreement, dated April 1, 2017, between Jincheng Bank and Shanghai Cango relating to the outsourcing of collection and disposal business
10.10*	Automotive Financing Business Cooperation Agreement by and among Shenzhen Qianhai WeBank Co., Ltd. and Shanghai Cango
10.11*	Equity Interest Transfer Agreement, dated September 19, 2017, among Autohome Financing Hong Kong Limited, Express Group Development Limited, Shanghai Cango and Beijing Qi’erbulaite Technology Co., Ltd.
10.12*	Share Purchase Agreement, dated March 23, 2018, among the Registrant, Cango Group Limited, Can Gu Long, Shanghai Cango and shareholders party thereto

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
21.1	Subsidiaries of Registrant
23.1*	Consent of Ernst & Young Hua Ming LLP
23.3*	Consent of Conyers Dill & Pearman (included in Exhibit 5.1 and Exhibit 8.2)
23.4*	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 8.1)
23.5*	Consent of Fangda Partners (included in Exhibit 99.3)
23.6*	Consent of Oliver Wyman
24.1*	Powers of Attorney (included on the signature page in Part II of this Registration Statement)
99.1*	Code of Business Conduct and Ethics of the Registrant
99.2	Registrant's representation under Item 8.A.4
99.3*	Form of opinion of Fangda Partners regarding certain PRC law matters

\* To be filed by amendment.

\*\* Incorporated by reference to the Registration Statement on Form F-6 to be filed with the Securities and Exchange Commission with respect to American depositary shares representing our ordinary shares.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Shanghai, China on \_\_\_\_\_, 2018.

CANGO INC.

By: \_\_\_\_\_  
Name: Xiaojun Zhang  
Title: Chairman

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint Xiaojun Zhang, Jiayuan Lin and Yongyi Zhang, and each of them singly, as his or her true and lawful attorney-in-fact and agents, each with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and all post-effective amendments thereto and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, or his or her substitutes or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
_____ Xiaojun Zhang	Chairman	
_____ Jiayuan Lin	Chief Executive Officer (principal executive officer)	
_____ Langlang Zhou	Director	
_____ Zuyu Tan	Director	
_____ Yongyi Zhang	Chief Financial Officer and Director (principal financial and accounting officer)	
_____ Weibiao Zhan	Director	
_____ Zhipeng Song	Director	

**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Congo Inc. has signed this registration statement or amendment thereto in \_\_\_\_\_ on \_\_\_\_\_, 2018.

By: \_\_\_\_\_  
Name:  
Title:

## LIST OF SUBSIDIARIES AND CONSOLIDATED VARIABLE INTEREST ENTITY OF

## CANGO INC.

<u>Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
Cango Group Limited	Hong Kong
Can Gu Long (Shanghai) Information Technology Consultation Service Co., Ltd.* 上海康谷隆信息科技有限公司	PRC
<b>Consolidated Variable Interest Entity ("VIE")</b>	
Shanghai Cango Investment Management Consulting Service Co., Ltd. 上海康谷投资管理咨询有限公司	PRC
<b>Subsidiaries of the Consolidated VIE</b>	
Shanghai Wangjin Financial Information Service Co., Ltd.* 上海旺进金融信息服务有限公司	PRC
Shanghai Huixie Automotive Service Co., Ltd.* 上海汇协汽车服务有限公司	PRC
Shanghai Cango Electronic Technology Co., Ltd.* 上海康谷电子科技有限公司	PRC
Shanghai Cango Automobile Sales Co., Ltd.* 上海康谷汽车销售有限公司	PRC
Guangzhou Cango Automotive Information Consultation Service Co., Ltd.* 广州康谷汽车信息咨询有限公司	PRC
Tianjin Changtong Automotive Leasing Co., Ltd.* 天津畅通汽车租赁有限公司	PRC
Shenyang Cango Automotive Information Consultation Co., Ltd.* 沈阳康谷汽车信息咨询有限公司	PRC
Jiangsu Tongyuan Automotive Consulting Service Co., Ltd.* 江苏同元汽车咨询服务有限公司	PRC
Nanjing Canyon Automotive Service Co., Ltd.* 南京康谷汽车服务有限公司	PRC
Hubei Huaitai Automotive Consulting Service Co., Ltd.* 湖北怀泰汽车咨询服务有限公司	PRC
Sichuan Xintongda Automotive Service Co., Ltd.* 四川鑫通达汽车服务有限公司	PRC
Chengdu Cango Automotive Service Co., Ltd.* 成都康谷汽车服务有限公司	PRC
Xi'an Cango Automotive Consulting Service Co., Ltd.* 西安康谷汽车咨询服务有限公司	PRC
Shijiazhuang Cango Automotive Leasing Co., Ltd.* 石家庄康谷汽车租赁有限公司	PRC
Shanxi Huirui Automotive Consulting Service Co., Ltd.* 山西汇瑞汽车咨询服务有限公司	PRC
Henan Cango Automotive Service Co., Ltd.* 河南康谷汽车服务有限公司	PRC
Heilongjiang Cango Automotive Information Consultation Co., Ltd.* 黑龙江康谷汽车信息咨询有限公司	PRC
Shandong Huaitong Automotive Consulting Service Co., Ltd.* 山东怀通汽车咨询服务有限公司	PRC
Hefei Cango Automotive Service Co., Ltd.* 合肥康谷汽车服务有限公司	PRC
Fujian Changhui Automotive Service Co., Ltd.* 福建畅汇汽车服务有限公司	PRC
Changsha Cango Automotive Service Co., Ltd.* 长沙康谷汽车服务有限公司	PRC
Guangxi Canyon Automotive Consulting Service Co., Ltd.* 广西康谷汽车咨询服务有限公司	PRC
Guangxi Nanning Cango Automotive Consulting Service Co., Ltd.* 广西南宁康谷汽车咨询服务有限公司	PRC
Jiangxi Cango Automotive Consulting Service Co., Ltd.* 江西康谷汽车咨询服务有限公司	PRC
Guizhou Cango Automotive Service Co., Ltd.* 贵州康谷汽车服务有限公司	PRC
Kunming Cango Automotive Information Consultation Service Co., Ltd.* 昆明康谷汽车信息咨询有限公司	PRC

\* The English name of this subsidiary, consolidated VIE or subsidiary of consolidated VIE, as applicable, has been translated from its Chinese name.

Cango Inc.  
10A, Building 3, Youyou Century Plaza  
428 South Yanggao Road  
Pudong New Area, Shanghai 200127  
People's Republic of China

March 23, 2018

**VIA EDGAR**

Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Cango Inc.  
Confidential Submission of the Draft Registration Statement on Form F-1  
Representation under Item 8.A.4 of Form 20-F**

Ladies and Gentlemen:

The undersigned, Cango Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability (the "Company"), is submitting this letter via EDGAR to the Securities and Exchange Commission (the "Commission") in connection with the Company's confidential submission on the date hereof of its draft registration statement on Form F-1 (the "Draft Registration Statement") relating to a proposed initial public offering and listing in the United States of the Company's ordinary shares to be represented by American depositary shares.

The Company has included in the Draft Registration Statement its audited consolidated financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, as of December 31, 2016 and for the year ended December 31, 2016 and unaudited interim consolidated financial statements as of September 30, 2017 and for each of the nine-month periods ended September 30, 2016 and 2017.

In a separate letter submitted to the Office of Chief Accountant of the Division of Corporation Finance of the Commission on March 15, 2018, the Company respectfully requested that the Commission waive the requirement of Item 8.A.4 of Form 20-F (the "Waiver Request"), which states that in the case of a company's initial public offering, the registration statement on Form F-1 must contain audited financial statements of a date not older than 12 months from the date of the filing (the "12-Month Requirement").

In connection with the Waiver Request, the Company represents to the Commission that:

1. The Company is not currently a public reporting company in any jurisdiction.
2. The Company is not required by any jurisdiction outside the United States to prepare consolidated financial statements audited under any generally accepted auditing standards for any interim period.
3. Full compliance with Item 8.A.4 of Form 20-F at present is impracticable and involves undue hardship for the Company.
4. The Company does not anticipate that its audited financial statements for the year ended December 31, 2017 will be available until April 2018.
5. In no event will the Company seek effectiveness of its registration statement on Form F-1 if its audited financial statements are older than 15 months at the time of the Company's initial public offering.

The Company is submitting this letter as an exhibit to the Draft Registration Statement pursuant to Instruction 2 to Item 8.A.4 of Form 20-F.

Very truly yours,

Cango Inc.

/s/ Yongyi Zhang

By: Yongyi Zhang

Title: Chief Financial Officer and Director