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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2019

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 001-38230

Qudian Inc.

(Exact name of Registrant as specified in its charter)

Cayman Islands
(Jurisdiction of incorporation or organization)

Tower A, AVIC Zijin Plaza
Siming District, Xiamen
Fujian Province 361000,
People's Republic of China
(Address of principal executive offices)

Min Luo, Chairman and Chief Executive Officer
Telephone: telephone: +86-592-5911580
Email: ir@qudian.com
At the address of the Company set forth above
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares, each representing one Class A ordinary share	**QD**	**New York Stock Exchange**
Class A ordinary shares, par value nominal or US$0.0001 per share*	**N/A**	**New York Stock Exchange**

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

Securities registered or to be registered pursuant to Section 12(g)

None
(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. — 190,238,854 Class A ordinary shares, 63,491,172 Class B ordinary shares

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012. Indicate by check mark which basis of accounting the registration has used to prepare the financial statements included in this filing:

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). ☐ Yes ☒ No

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

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

* Not for trading, but only in connection with the listing on the New York Stock Exchange of the American Depositary Shares

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Except where the context otherwise requires, references in this annual report to:

- "active borrowers" are to borrowers who have drawn down credit in the specified period;
- "ADSs" are to our American depositary shares, each of which represents one Class A ordinary share, and "ADRs" are to the American depositary receipts that evidence our ADSs;
- "amount of transactions" are to the aggregate principal amount of credit drawdowns that are provided to borrowers in the specified period, which are comprised of (i) credit drawdowns that are facilitated under our loan book business and (ii) credit drawdowns that are facilitated under our transaction services business;
- "Ant Financial" are to Ant Small and Micro Financial Services Group Co., Ltd., a company organized under the laws of the PRC, and its affiliates; API (Hong Kong) Investment Limited, which is wholly owned by Ant Financial, is one of our principal shareholders;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- "D1 delinquency rate" are to the balance of the total amount of principal and financing service fees that became overdue as of a specified date, divided by the total amount of principal and financing services fees that was due for repayment as of such date, in each case with respect to our loan book business and transaction services business;
- "loan book business" are to our business of offering small credit products to consumers; the relevant transactions may be funded by our institutional funding partners or our own capital, and we undertake credit risk for such transactions;
- "M1+ delinquency coverage ratio" are to the balance of allowance for principal and financing service fee receivables at the end of a period, divided by the total balance of outstanding principal for on-balance sheet transactions for which any installment payment was more than 30 calendar days past due as of the end of such period;
- "M1+ delinquency rate by vintage" are to the total outstanding principal balance of the transactions of a vintage for which any repayment is overdue for more than 30 days, divided by the total initial principal of the transactions facilitated in such vintage;
- "new borrowers" are to borrowers who drew down credit for the first time from our platform; new borrowers who have made at least two drawdowns in the relevant period are also counted as repeat borrowers;
- "number of transactions" are to the number of credit drawdowns facilitated by us to borrowers, which are comprised of (i) credit drawdowns that are facilitated under our loan book business and (ii) credit drawdowns that are facilitated under our transaction services business;
- "off-balance sheet transactions" are to credit drawdowns under our loan book business that are not recorded on our balance sheets; we bear credit risk for such transactions;
- "on-balance sheet transactions" are to credit drawdowns under our loan book business that are recorded on our balance sheets;
- "outstanding borrowers" are to borrowers who have outstanding loans under either the loan book business or the transaction services business as of a specified date;
- "provision ratio" are to the amount of provision for loan principal and financing service fee receivables incurred during a period as a percentage of the total amount of on-balance sheet transactions facilitated during such period;

- "P2P platforms" are to financial information intermediaries that are engaged in lending information business and directly provide peers, which can be natural persons, legal persons or other organizations, with lending information services;
- "Qudian marketplace" are to our online marketplace where consumers purchase merchandise offered by third-party merchandise suppliers with our merchandise credit products.
- "registered users" are to individuals who have registered with us;
- "repeat borrowers" are to active borrowers in the specified period who have made at least two drawdowns since such borrowers' registration with us until the end of the specified period;
- "RMB" or "Renminbi" are to the legal currency of China;
- "small credit products" are to cash or merchandise credit products that are less than RMB5,000 in amount;
- "transaction services business" are to our business of offering loan recommendation and referral services to third-party financial service providers; we assume no credit risk for the transactions facilitated under the transaction services business;
- "transactions" are to borrowers' credit drawdowns from our platform;
- "Wanlimu" are to our online luxury fashion products platform;
- "US$," "U.S. dollars," or "dollars" are to the legal currency of the United States;
- "vintage" are to the on-balance sheet transactions and off-balance sheet transactions facilitated under the loan book business during a specified time period; and
- "we," "us," "our company" and "our" are to Qudian Inc., its subsidiaries, its consolidated VIEs and/or their respective subsidiaries, as the context requires.

The translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB6.9618 to US$1.00, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2019. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report 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 31, 2020, the noon buying rate for Renminbi was RMB7.0808 to US$1.00.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains statements of a forward-looking nature. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the "safe harbor" provision under Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. 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. These forward-looking statements 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 credit products and services;
- our expectations regarding keeping and strengthening our relationships with borrowers, institutional funding partners, merchandise suppliers and other parties we collaborate with; and
- general economic and business conditions.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

You should read these statements in conjunction with the risks disclosed in "Item 3.D. Key Information — Risk Factors" of this annual report and other risks outlined in our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in an emerging and evolving environment. New risks may emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. 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 annual report and the documents that we have referred to in this annual report, completely and with the understanding that our actual future results may be materially different from what we expect.

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated statements of operations for the years ended December 31, 2017, 2018 and 2019 and selected consolidated balance sheets as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The following selected consolidated statements of operations for the years ended December 31, 2015 and 2016 and selected consolidated balance sheets as of December 31, 2016 and 2017 have been derived from our audited consolidated financial statements not included in this annual report.

You should read the selected consolidated financial data in conjunction with the financial statements and the related notes included elsewhere in this annual report and "Item 5. Operating and Financial Review and Prospects." Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

	Year Ended December 31					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands, except for share and per share data)					
Condensed Consolidated Statement of Operations Data:						
Revenues						
Financing income	153,554	1,271,456	3,642,184	3,535,276	3,510,055	504,188
Sales commission fee	62,182	126,693	797,167	307,492	356,812	51,253
Sales income	—	—	26,083	2,174,789	431,946	62,045
Penalty fees	19,271	22,943	7,922	28,013	44,354	6,371
Loan facilitation income and other related income	—	21,754	302,010	1,646,773	2,297,413	330,003
Transaction services fee and other related income	—	—	—	—	2,199,464	315,933
Total revenues	**235,007**	**1,442,846**	**4,775,366**	**7,692,343**	**8,840,044**	**1,269,793**
Cost of revenues						
Cost of goods sold	—	—	(23,895)	(2,003,642)	(366,015)	(52,575)
Cost of other revenues	(148,417)	(267,862)	(856,951)	(731,786)	(535,773)	(76,959)
Total cost of revenues	**(148,417)**	**(267,862)**	**(880,846)**	**(2,735,428)**	**(901,788)**	**(129,534)**

	Year Ended December 31					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands, except for share and per share data)					
Operating expenses(1)						
Sales and marketing	(192,603)	(182,458)	(431,749)	(540,551)	(280,616)	(40,308)
General and administrative	(42,426)	(108,786)	(183,674)	(255,867)	(286,059)	(41,090)
Research and development	(37,530)	(52,275)	(153,258)	(199,560)	(204,781)	(29,415)
Changes in guarantee liabilities and risk assurance liabilities	—	(861)	(150,152)	(116,593)	(1,143,427)	(164,242)
Provision for receivables and other assets	(45,111)	(132,176)	(605,164)	(1,178,723)	(2,283,126)	(327,951)
Total operating expenses	**(317,670)**	**(476,556)**	**(1,523,997)**	**(2,291,294)**	**(4,198,009)**	**(603,006)**
Other operating income	—	14,646	50,703	23,748	108,508	15,586
Income/ (loss) from operations	**(231,078)**	**713,074**	**2,421,226**	**2,689,369**	**3,848,755**	**552,839**
Interest and investment income, net	2,889	1,857	4,211	35,740	20,872	2,998
Foreign exchange gain/(loss), net	752	(9,651)	(7,177)	(90,771)	6,635	953
Other income	779	47	2,108	15,231	24,583	3,531
Other expenses	(6,505)	(1,834)	(363)	(522)	(10,323)	(1,483)
Net income/ (loss) before income taxes	**(233,164)**	**703,493**	**2,420,005**	**2,649,047**	**3,890,522**	**558,838**
Income tax expenses	—	(126,840)	(255,546)	(157,731)	(626,234)	(89,953)
Net income /(loss)	**(233,164)**	**576,653**	**2,164,459**	**2,491,316**	**3,264,288**	**468,886**
Net Income/(loss) attributable to Qudian Inc.'s shareholders	**(233,164)**	**576,653**	**2,164,459**	**2,491,316**	**3,264,288**	**468,886**
Earnings/(loss) per share for Class A and Class B ordinary shares						
— Basic	(2.94)	7.27	17.13	7.82	11.72	1.68
Earnings/(loss) per share for Class A and Class B ordinary shares						
— Diluted	(2.94)	1.90	7.09	7.74	10.94	1.57
Earnings per ADS (1 Class A ordinary share equals 1 ADSs)						
— Basic			17.13	7.82	11.72	1.68
Earnings per ADS (1 Class A ordinary share equals 1 ADSs)						
— Diluted			7.09	7.74	10.94	1.57

	Year Ended December 31					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands, except for share and per share data)					
Weighted average number of Class A and Class B ordinary shares outstanding						
— Basic	79,305,191	79,305,191	126,390,196	318,685,836	278,531,382	278,531,382
Weighted average number of Class A and Class B ordinary shares outstanding						
— Diluted	79,305,191	303,778,745	305,221,444	321,955,142	300,457,711	300,457,711
Other comprehensive loss:						
Foreign currency translation adjustment	—	—	(77,947)	33,089	31,893	4,581
Total comprehensive income/(loss)	**(233,164)**	**576,653**	**2,086,512**	**2,524,405**	**3,296,181**	**473,467**
Total comprehensive income/(loss) attributable to Qudian Inc.'s shareholders	**(233,164)**	**576,653**	**2,086,512**	**2,524,405**	**3,296,181**	**473,467**

(1) Share-based compensation expenses are allocated in operating expenses as follows:

	For the year ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Sales and marketing	23,691	690	1,891	5,641	4,482	644
General and administrative	11,425	18,986	42,849	38,587	74,312	10,674
Research and development	20,492	2,457	19,316	13,753	8,505	1,222
Total share-based compensation expenses	55,607	22,134	64,056	57,981	87,299	12,540

	As of December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
				(in thousands)		
Summary Consolidated Balance Sheets:						
Cash and cash equivalents	210,114	785,770	6,832,306	2,501,188	2,860,938	410,948
Restricted cash	—	—	2,252,646	339,827	1,257,649	180,650
Time deposits	—	—	—	—	231,132	33,200
Short-term amounts due from related parties(1)	34,930	585,906	551,215	2	—	—
Short-term loan principal and financing service fee receivables, net	2,060,768	4,826,791	8,758,545	8,417,821	7,894,697	1,134,002
Short-term finance lease receivables, net	—	—	8,508	508,647	398,256	57,206
Short-term contract assets	—	—	—	903,436	2,741,914	393,851
Long-term loan principal and financing service fee receivables	177,582	87,822	—	665,653	424	61
Long-term finance lease receivables, net	—	—	17,900	649,243	239,697	34,430
Long-term contract assets	—	—	—	15,597	273,597	39,300
Total assets	2,675,596	7,117,599	19,380,416	16,253,375	18,361,604	2,637,479
Short-term borrowings and interest payables	1,562,883	4,183,231	7,979,415	3,860,441	1,049,570	150,761
Long-term borrowings and interest payables	89,358	76,052	510,024	413,400	—	—
Total liabilities	3,306,965	4,604,010	9,840,049	5,432,762	6,437,552	924,696
Total mezzanine equity	5,943,978	5,943,978	—	—	—	—
Total shareholders' equity / (deficit)	(6,575,347)	(3,430,389)	9,540,367	10,820,613	11,924,052	1,712,783

(1) Includes RMB33.8 million, RMB404.6 million and RMB549.8 million deposited in our Alipay accounts as of December 31, 2015 and 2016, 2017. Such amount is unrestricted as to withdrawal and use and readily available to us on demand.

Non-GAAP Measure

Adjusted Net Income/(Loss)

We use adjusted net income/(loss), a non-GAAP financial measure, in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted net income/(loss) help identify underlying trends in our business by excluding the impact of share-based compensation expenses, which are non-cash charges. We believe that adjusted net income/(loss) provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

	For the year ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
				(in thousands)		
Adjusted net income/(loss)(1)	(177,557)	598,787	2,228,515	2,549,297	3,351,587	481,426

(1) Adjusted net income/(loss) is defined as net income/(loss) excluding share-based compensation expenses.

Adjusted net income/(loss) is not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. This non-GAAP financial measure has limitations as analytical tools, and when assessing our operating performance, cash flows or our liquidity, investors should not consider them in isolation, or as a substitute for net income/(loss), cash flows provided by operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP.

We mitigate these limitations by reconciling the non-GAAP financial measure to the most comparable U.S. GAAP performance measure, all of which should be considered when evaluating our performance.

The following table reconciles our adjusted net income/(loss) in the years presented to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income/(loss):

	For the year ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Net income/(loss)	(233,164)	576,653	2,164,459	2,491,316	3,264,288	468,886
Add: share-based compensation expenses	55,607	22,134	64,056	57,981	87,299	12,540
Adjusted net income/(loss)	(177,557)	598,787	2,228,515	2,549,297	3,351,587	481,426

Exchange Rate Information

Substantially all of our operations are conducted in China and all of our revenues is denominated in Renminbi. This annual report 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 annual report were made at a rate of RMB6.9618 to US$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2019. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report 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.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related to Our Business and Industry

We have a limited operating history in a new and evolving market, which makes it difficult to evaluate our future prospects.

The online consumer finance market in the PRC is new and may not develop as expected. The regulatory framework for this market is also evolving and may remain uncertain for the foreseeable future. See "— The laws and regulations governing the online consumer finance industry in the PRC are still at a nascent stage and subject to further change and interpretation. If our business practices or the business practices of our institutional

funding partners are deemed to violate any PRC laws or regulations, our business, financial condition, results of operations and prospects would be materially and adversely affected." Prospective borrowers may not be familiar with this market and may have difficulty distinguishing our platform from those of our competitors, both online and offline. Convincing prospective borrowers of the value of our platform is critical to increasing the amount of transactions to borrowers and to the success of our business.

We launched our business in 2014 and have a limited operating history. We have limited experience in most aspects of our business operation, such as credit product offerings, data-driven credit assessment and the development of long-term relationships with borrowers, institutional funding partners and merchandise suppliers.

In addition, we have limited experience in serving our current target borrower base. In November 2015, we shifted our focus from college students to young consumers in general, a more diverse customer base for whom traditional credit data is often unavailable. Through our technology platform, we operate (i) a loan book business, whereby we offer small credit products to consumers and undertake the related credit risk, and (ii) a transaction services business, whereby we offer loan recommendation and referral services to third-party financial service providers and assume no credit risk. We evaluate and approve prospective borrowers' credit applications submitted online, and we currently rely on institutional funding partners and trusts established in collaboration with trust companies to fund such credit drawdowns. In the second half of 2018, we launched an open platform for transaction services business. As our business develops or in response to competition, we may continue to introduce new credit products and services, make adjustments to our existing credit products and services, make adjustments to our business operation in general, or look for other business opportunities in the market. For example, we may implement more stringent borrower qualifications to reduce the delinquency rates of transactions facilitated by us, which may negatively affect the growth of our business. We will also seek to expand the base of prospective borrowers that we serve, which may result in higher delinquency rates of transactions facilitated by us. In addition, we rely on our institutional funding partners to fund the credit that we facilitate. Our ability to continuously attract low-cost funding sources is also critical to our business. Any significant change to our business model not achieving expected results may have a material and adverse impact on our financial condition and results of operations. It is therefore 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 personalized and competitive credit products;
- increase the utilization of our credit products by existing borrowers as well as new borrowers;
- offer attractive financing service fees while driving the growth and profitability of our business;
- maintain low delinquency rates of transactions facilitated by us;
- develop sufficient, diversified, cost-efficient and reputable institutional funding sources;
- maintain and enhance our relationships with our other business partners, including merchandise suppliers and financial service providers that participate on our open platform;
- continue to broaden our prospective borrower base;
- navigate a complex and evolving regulatory environment;
- improve our operational efficiency;
- attract, retain and motivate talented employees 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 utilized across our system;

- navigate economic condition and fluctuation; and
- defend ourselves against legal and regulatory actions, such as actions involving intellectual property or privacy claims.

We launched Wanlimu, an online luxury fashion products platform, in March 2020. While we expect our new e-commerce business will enable us to capitalize on sizable market opportunities, it also presents new challenges. The success of the Wanlimu platform will depend on, among other things, our abilities to understand consumer preferences and behavior, price merchandise competitively, acquire users cost-effectively and manage inventory risk. We need to partner with qualified suppliers and source high quality products from them on favorable terms. We also need to timely deliver products to customers at the fulfillment stage and effectively address customer complaints at the after-sales stage. Given our limited experience in e-commerce industry, we may not be able to successfully address the relevant challenges, which could significantly harm our business, results of operations and financial condition.

We have faced significant challenges recently, and our business, results of operations and financial condition have been adversely affected by these challenges.

China's online consumer finance industry was affected by several regulatory developments in the fourth quarter of 2019, including further restrictions on loan collection practices, more stringent user data privacy rules and the requirements for P2P lending platforms to orderly exit their P2P businesses. These regulatory developments have reduced the availability of funding for consumer credit and driven up delinquency rates across the online consumer finance industry, including our loan portfolio. Our D1 delinquency rate, a more real-time representation of our portfolio asset quality, rose to around 13% as of the end of the fourth quarter of 2019, from around 10% as of the end of the previous quarter. To better protect our company and our institutional funding partners from these industry headwinds, we implemented significantly stricter standards for credit approvals and decreased reliance on certain third-party data providers who previously provided information we used in evaluating prospective borrowers. Accordingly, the amounts of transactions we facilitated under our loan book business and transaction services business decreased by 36.2% and 19.7%, respectively, in the fourth quarter of 2019 as compared with the amounts in the preceding quarter. As a result of our revenue recognition policy under ASC606, the decrease in transaction volumes in the fourth quarter of 2019 had a more pronounced impact on our revenue for such quarter. According to ASC606, the major portion of revenue from the loan facilitation process is recognized at the time we successfully match borrowers and institutional funding partners. As such, our loan facilitation income and other related income decreased by 21.1% to RMB460.0 million (US$66.1 million) in the fourth quarter of 2019 as compared to that in the third quarter in 2019. Furthermore, we recognized significant amounts of changes in guarantee liabilities and risk assurance liabilities and provision for receivables and other assets for the fourth quarter of 2019 due to the rise in delinquency rates, which adversely affected net income for such quarter. In the fourth quarter of 2019, we recognized changes in guarantee liabilities and risk assurance liabilities of RMB735.7 million (US$105.7 million) and provision for receivables and other assets of RMB707.2 million (US$101.6 million), as compared to changes in guarantee liabilities and risk assurance liabilities of RMB328.6 million and provision for receivables and other assets of RMB691.1 million in the third quarter of 2019.

Starting in January 2020, the outbreak of COVID-19 coronavirus has significantly impacted the Chinese economy. The government measures designed to control the spread of the virus have also resulted in a decline in economic activities in China. We expect the pandemic to exacerbate the already existing challenges in the consumer credit sector. The decrease in consumer spending and the rise in unemployment rates have contributed to a further decrease in the amount of transactions we facilitate and a rise in delinquency rates in the outstanding transactions. The amounts of transactions we facilitated under our loan book business and transaction services business decreased by approximately 53% and 68%, respectively, in the first quarter of 2020 as compared with the amounts in the preceding quarter. Our D1 delinquency rate was approximately 21% as of the end of the first quarter of 2020, and we expect to record higher provision for receivables and other assets and changes in

guarantee liabilities and risk assurance liabilities for such quarter. The reduced transaction volumes combined with higher provisions for receivables and changes in guarantee liabilities and risk assurance liabilities are expected to result in a material loss in the first quarter of 2020.

The COVID-19 coronavirus outbreak may continue to adversely affect our business, results of operations and financial condition after the first quarter of 2020. The extent of such impact will depend largely on future developments, which are highly uncertain, including the severity of the outbreak and future government measures in response to the outbreak, among other things. We plan to continue mitigating our risk exposure to the consumer credit market by reducing loan book aggressively in the first half of 2020. Until the credit cycle terminates the current downtrend, we intend to maintain a leverage ratio, which is calculated by dividing (i) outstanding balance of our loan book business by (ii) total net assets, of lower than 1.9x and remain committed to protecting our net assets.

In addition, we launched Wanlimu, an online luxury fashion products platform, in March 2020. A significant portion of merchandise offered on Wanlimu platform is sourced from Europe and other parts of the world. To the extent the COVID-19 outbreak disrupts the production of luxury products in Europe or other parts of the world, we would not be able to ramp up the Wanlimu platform in accordance with our plan, and our business, results of operations and financial condition would be adversely affected.

If we are unable to retain existing borrowers or attract new borrowers, or if we are unable to monetize our large user base, our business and results of operations may be adversely affected.

We seek to retain existing borrowers and attract additional creditworthy borrowers, which may be affected by several factors, including our brand recognition and reputation, the financing terms offered to borrowers, our efficiency in engaging prospective borrowers, our ability to convert registered users to borrowers, utilization of the credit we approve, the effectiveness of our credit assessment model and risk management system, our ability to secure sufficient and cost-efficient funding, borrower experience, the PRC regulatory environment governing our industry and the macroeconomic environment. In the past few years, the number of outstanding borrowers has fluctuated and our outstanding borrowers only represented a small percentage of our total registered users. The number of outstanding borrowers, including both loan book business and transaction services business, was 5.8 million, 5.3 million and 6.1 million as of December 31, 2017, 2018 and 2019, respectively. Outstanding borrowers represented 9%, 7% and 8% of total registered users as of December 31, 2017, 2018 and 2019, respectively. We cannot assure you that the numbers of outstanding borrowers will not decrease in the future.

In connection with the introduction of new products or in response to general economic conditions, we may also impose more stringent borrower qualifications to ensure the quality of the transactions we facilitate, which may result in a decrease in the amount of transactions facilitated to borrowers. We engage a majority of active borrowers through our own mobile applications. If we are unable to attract borrowers through our own mobile applications or other third-party channels that we may collaborate with, or develop or launch new products that may be attractive to registered users on our mobile applications, we may not be able to engage new borrowers in an efficient manner to convert prospective borrowers into active borrowers, and may even lose existing borrowers to our competitors. In particular, we rely on application marketplaces to drive downloads of our mobile applications. If the operators of application marketplaces make changes to their marketplaces which hinder or impede access to our mobile applications, our ability to engage new borrowers will be adversely affected. If we are unable to attract creditworthy borrowers or if borrowers do not continue to utilize our platform, our business and results of operations would be materially and adversely affected.

We rely on our proprietary credit assessment model and risk management system in the determination of credit approval and credit limit assignment. If our proprietary credit assessment model and risk management system fail to perform effectively, such failure may materially and adversely impact our operating results.

Credit limits for our borrowers are determined and approved based on risk assessment conducted by our proprietary credit assessment model and risk management system. Such model and system use big data-enabled

technologies, such as artificial intelligence and machine learning, that take into account transactions that we have processed. While we rely on big data analytics to refine our model and system, there can be no assurance that our application of such technology will continue to deliver the expected benefits. As we have a limited operating history, we may not have accumulated sufficient credit analysis and data to optimize our model and system. Furthermore, our existing data and credit assessment model and risk management system might not be effective, as we seek to expand the borrower base and broaden our borrower engagement efforts through different channels in the future. If our system contains programming or other errors, if our model and system are ineffective or if the credit analysis and data we obtained are incorrect or outdated, our credit assessment abilities could be negatively affected, resulting in incorrect approvals or denials of credit applications or mispriced credit products. If we are unable to effectively and accurately assess the credit profiles of borrowers or price credit products appropriately, we may either be unable to offer attractive financing service fee and credit limits to borrowers, or be unable to maintain low delinquency rates of transactions facilitated by us. Our risk and credit assessment may not be able to provide more predictive assessments of future borrower behavior and result in better evaluation of our borrower base when compared to our competitors. If our proprietary credit assessment model and risk management system fail to perform effectively, our business and results of operations may be materially and adversely affected.

If we are unable to effectively manage delinquency rates for transactions facilitated by us, our business and results of operations may be materially and adversely affected. Further, historical delinquency rates may not be indicative of future results.

We may not be able to maintain low delinquency rates for transactions facilitated by us, or such delinquency rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of individual borrowers. For example, certain regulatory developments have reduced the availability of funding for consumer credit and driven up delinquency rates across the online consumer finance industry, including our loan portfolio. For further information, see "—We have faced significant challenges recently, and our business, results of operations and financial condition have been adversely affected by these challenges." To better protect our company and our institutional funding partners from these industry headwinds, we implemented significantly stricter standards for credit approvals. However, there can be no assurance that we will be able to effectively manage delinquency rates with such measures.

Introduction of new credit products may result in higher delinquency rates for transactions facilitated by us. Increase in credit utilization by borrowers from existing levels may also potentially have a material adverse effect as to the delinquency rates for transactions facilitated by us. Furthermore, we broaden our prospective borrower base from time to time as we enhance our credit assessment model to include those with different credit profiles than borrowers that we currently provide credit to as well as prospective borrowers that we have not reached out to previously. In addition, we have offered, and will continue to offer, borrowers with stronger credit profiles higher credit limits and longer repayment durations to drive higher engagement with such borrowers. In the three months ended December 31, 2017 and 2018 and 2019, our cash credit products had an average size of approximately RMB960, RMB1,491 and RMB2,027 (US$291), respectively. Our weighted average loan tenure increased from 2.5 months in the fourth quarter of 2017 to 10.4 months in the fourth quarter of 2018, and slightly increased to 10.9 months in the fourth quarter of 2019. As a result of such changes, we may experience higher delinquency rates for transactions facilitated by us in the future.

Although certain credit facilitated by us under the loan book business are funded directly or indirectly by institutional funding partners, if borrowers default on their payment obligations, we are generally obligated to repay our institutional funding partners all or a percentage of loan principals and fees payable in respect of such credit drawdowns. As of December 31, 2019, the total outstanding loan principal of our loan book business was RMB22,541.2 million (US$3,237.8 million), of which RMB379.7 million (US$54.5 million) represented credit drawdowns that were transferred to or indirectly funded by institutional funding partners, which were recorded as short-term and long-term borrowings and interest payables on our balance sheets. As of December 31, 2019, outstanding principal of off-balance sheet transactions, which represent credit drawdowns directly funded by

institutional funding partners, was RMB13,254.8 million (US$1,903.9 million). As such, if we were to experience a significant increase in delinquency rate, we may not have sufficient capital resources to pay defaulted principals and fees to our institutional funding partners, and if this were to occur, our results of operations, financial position and liquidity will be materially and adversely affected. We experienced increases in M1+ delinquency rate by vintage over time. M1+ delinquency rate by vintage for transactions in the four quarters of 2018 was less than 3.3% through March 31, 2019. M1+ delinquency rate by vintage for transactions in the four quarters of 2019 reached 5.6% through March 31, 2020. Such increase was primarily due to longer loan tenures and higher risks in the credit market. We cannot assure you that M1+ delinquency rate by vintage will not increase in the future.

Increase in the amount of off-balance sheet transactions may lead to higher changes in guarantee liabilities and risk assurance liabilities and our business and results of operations may be materially and adversely affected.

Under our loan book business, we have entered into off-balance sheet funding arrangements with certain institutional funding partners, which directly fund credit drawdowns by borrowers for credit products and receive guarantees from us. We also funded budget auto financing products under off-balance sheet arrangements historically. Borrowers directly repay principal and financing service fees to the relevant institutional funding partners, who will in turn deduct the principal and fees due to them from the repayments and remit the remainder to us as our loan facilitation fees. Revenues from loan facilitation services are recognized when we match borrowers with funding partners and the funds are transferred to the borrowers. At the inception of each off-balance sheet transaction, we record the fair value of (i) guarantee liabilities, which represent the present value of our expected payout based on the estimated delinquency rate and the applicable discount rate for time value; or (ii) risk assurance liabilities, which considers the premium required by a third-party market participant to issue the same risk assurance in a standalone transaction, as applicable. The contingent loss rising from risk assurance liabilities is recognized when borrower default is probable, and the amount of loss is estimable.

Accordingly, an increase in the expected delinquency rates of off-balance sheet transactions would result in an increase in the amount of guarantee liabilities and risk assurance liabilities, which are recognized as changes in guarantee liabilities and risk assurance liabilities. In 2017, 2018 and 2019, off-balance sheet transactions represented 11.8%, 36.1% and 62.6% of the total amount of transactions under our loan book business, respectively, and we recognized RMB150.2 million, RMB116.6 million and RMB1,143.4 million (US$164.2 million) of changes in guarantee liabilities and risk assurance liabilities during such periods, respectively. Furthermore, if the actual delinquency rates for off-balance sheet transactions were higher than expected, our guarantee liabilities and risk assurance liabilities may not be able to cover the actual losses as expected, which could have a material adverse impact on our working capital, financial condition, results of operations and business operations. Our guarantee liabilities and risk assurance liabilities were RMB47.0 million, RMB302.6 million and RMB1,517.8 million (US$218.0 million) as of December 31, 2017, 2018 and 2019, respectively, and we paid the relevant institutional funding partners RMB124.8 million, RMB387.2 million and RMB2,084.1 million (US$299.4 million) as a result of borrowers' default for off-balance sheet transactions in 2017, 2018 and 2019, respectively.

Increase in the delinquency rate of on-balance sheet transactions would increase our allowance for loan principal and financing service fee receivables and provision for loan principal and financing service fee receivables, which could have a material adverse effect on our business, results of operations and financial positions.

We reserve any estimated loss for on-balance sheet transactions due to the borrowers' default as allowance for loan principal and financing service fee receivables. When evaluating the loan principal receivables on a pooled basis, we apply a roll rate model based on historical loss rates, while also taking into consideration macroeconomic conditions in order to calculate the pooled allowance. Accordingly, any increase in the delinquency rates of on-balance sheet transactions would increase our allowance for loan principal and financing

service fee receivables, and we recognize any increase in allowance for loan principal and financing service fee receivables as provision for loan principal and financing service fee receivables for the relevant period. Such increase could have a material adverse effect on our business, results of operations and financial positions. Furthermore, if the actual delinquency rates for on-balance sheet transactions were higher than predicted, our cash flow would be reduced and our allowance for loan principal and financing service fee receivables may not be able to cover the actual losses as expected, which could have a material adverse effect on our working capital, financial condition, results of operations and business operations. In 2017, 2018 and 2019, on-balance sheet transactions represented 88.2%, 63.9% and 37.4% of the total amount of transactions under our loan book business. In 2017, 2018 and 2019, provision for loan principal and financing service fee receivables and other assets was RMB605.2 million, RMB1,178.7 million, RMB2,283.1 million (US$328.0 million), respectively; and our provision ratio during the same periods was 0.8%, 3.1% and 9.5%, as a result of increase in delinquency rate. Our charge-off ratio, which is defined as the amount of loan principal receivables we charged off during a period, divided by the total amount of on-balance sheet transactions during such period, in 2017, 2018 and 2019 was 0.2%, 2.9% and 5.3%, respectively.

As of December 31, 2017, 2018 and 2019, our M1+ delinquency coverage ratio, defined as the balance of allowance for loan principal and financing service fee receivables at the end of a period, divided by the total balance of outstanding principal for on-balance sheet transactions for which any installment payment was more than 30 calendar days past due as of the end of such period, was 1.3x, 1.1x and 1.5x respectively. With respect to on-balance sheet transactions, principal for which any installment payment was more than 30 calendar days past due accounted for 4.4%, 5.4% and 11.1% of total on-balance sheet outstanding principal as of December 31, 2017, 2018 and 2019, respectively. As of December 31, 2017, 2018 and 2019, our loan principal and financing service fee receivables for on-balance sheet transactions for which any installment payment was more than 90 calendar days past due were approximately RMB181.2 million, RMB298.1 million and RMB630.0 million (US$90.5 million), respectively. As of December 31, 2017, 2018 and 2019, our allowance for loan principal and financing service fee receivables were approximately RMB519.3 million, RMB585.3 million and RMB1,528.9 million (US$219.6 million), respectively.

We do not accrue financing income on principal that is considered impaired or on credit drawdowns for which any installment payment is more than 90 calendar days past due. Financing income previously accrued but subsequently placed on nonaccrual status will be netted from our financing income for the current period. Therefore, an increase in delinquency rates of on-balance sheet transactions will lead to an increase in such adjustments of financing income.

Our business depends on our ability to collect payment on and service the transactions we facilitate under the loan book business.

We have implemented payment and collection policies and practices designed to optimize regulatory compliant repayment, while also providing superior borrower experience. Our collection process is divided into distinct stages based on the severity of delinquency, which dictates the level of collection steps taken. For example, automatic reminders through text, voice and instant messages are sent to a delinquent borrower as soon as the collections process commences. Our collection team will also make phone calls to borrowers following the first missed payment and periodically thereafter. For amounts more than 90 calendar days past due, we may continue to contact the relevant borrowers by phone. During 2017, 2018 and 2019, we recovered RMB22.4 million, RMB156.6 million and RMB197.3 million (US$28.3 million), respectively, of principal and financing service fees of on-balance sheet transactions for which any installment payment is more than 90 calendar days past due.

Despite our servicing and collection efforts, we cannot assure you that we will be able to collect payments on the transactions we facilitate under the loan book business as expected. If borrowers default on their payment obligations relating to such transactions under the loan book business, we are generally obligated to repay our institutional funding partners all or a percentage of loan principals and fees payable in respect of credit funded by

them. Therefore, our failure to collect payment on the transactions will have a material adverse effect on our business operations and financial positions. In addition, we aim to control bad debts by utilizing and enhancing our credit assessment system rather than relying on collection efforts to maintain healthy credit performances. As such, our collection team may not possess adequate resources and manpower to collect payment on and service the transactions we facilitated. If we fail to adequately collect amounts owed, then payments of principals and financing service fees to us may be delayed or reduced and our results of operations will be adversely affected. If the amount of transactions facilitated by us under the loan book business increases in the future, we may devote additional resources into our collection efforts. However, there can be no assurance that we would be able to utilize such additional resources in a cost-efficient manner.

Moreover, the current regulatory regime for debt collection in the PRC remains unclear. Although we aim to ensure our collection efforts comply with the relevant laws and regulations in the PRC and we have established strict internal policies that our collections personnel do not engage in aggressive practices, we cannot assure you that such personnel will not engage in any misconduct as part of their collection efforts. Any such misconduct by our collection personnel or the perception that our collection practices are considered to be aggressive and not compliant with the relevant laws and regulations in the PRC may result in harm to our reputation and business, which could further reduce our ability to collect payments from borrowers, lead to a decrease in the willingness of prospective borrowers to apply for and utilize our credit or fines and penalties imposed by the relevant regulatory authorities, any of which may have a material adverse effect on our results of operations.

Our business may be adversely affected if we are unable to secure funding on terms acceptable to us, or at all.

We collaborate with institutional funding partners to fund certain credit drawdowns we facilitate. Our current institutional funding partners include banks, trust companies, consumer finance companies, asset management companies and other institutions. For credit drawdowns currently funded by institutional funding partners, such credit drawdowns are typically either facilitated to borrowers directly from institutional funding partners or indirectly from institutional funding partners through trusts we established in collaboration with trust companies. Our total amount of transactions has increased from approximately RMB578.2 million in 2014 to RMB84,524.3 million (US$12,141.2 million) in 2019. 81.1% of our amount of transactions in 2019 under the loan book business and the transaction services business was funded by our institutional funding partners. As the demand for credit facilitated by us have significantly increased since inception, our funding arrangements have also changed significantly. For example, we historically transferred a significant amount of credit drawdowns to P2P platforms, and we have subsequently ceased transferring credit drawdowns to P2P platforms in April 2017. In the fourth quarter of 2018, we launched the transaction services business, whereby we offer loan recommendation and referral services to third-party financial service providers and assume no credit risk. We expect that our funding arrangements will continue to evolve as we explore additional or new sources of funding as well as new risk sharing or transfer mechanisms. There can be no assurance that our cooperation with new institutional funding partners will meet our expectations or the expectations of borrowers.

The availability of funding from institutional funding partners depends on many factors, some of which are out of our control. Some of our institutional funding partners have limited operating history, and there can be no assurance that we will be able to rely on their funding in the future. Our ability to cooperate with new institutional funding partners may be subject to regulatory or other limitations. In addition, regardless of our risk management efforts, credit facilitated by us may nevertheless be considered riskier and have a higher delinquency rate than loans provided by traditional financial institutions. In the event there is a sudden or unexpected shortage of funds from our institutional funding partners or if our institutional funding partners have determined not to continue to collaborate with us, we may not be able to maintain necessary levels of funding without incurring high costs of capital, or at all. Furthermore, we had historically relied on one institutional funding partner to fund a substantial portion of credit facilitated by us. While we have since managed to diversify our funding sources, there can be no assurance that our funding sources will remain or become increasingly diversified in the future. If we become dependent on a small number of institutional funding partners and any such institutional funding partner determines not to collaborate with us or limits the funding that is available, our

business, financial condition, results of operations and cash flow may be materially and adversely affected. Since inception, we have from time to time experienced, and may continue to experience, constraints as to the availability of funds from our institutional funding partners. Such constraints have affected and may continue to affect user experience, including by limiting our ability to approve new credit applications or resulting in us having to curtail the amount that can be drawn down by borrowers under their existing credit limits. Such limitations have in turn restrained, and may continue to restrain, the growth of our business. Any prolonged constraint as to the availability of funds from our institutional funding partners may also harm our reputation or result in negative perception of the credit products we offer, thereby decreasing the willingness of prospective or existing borrowers to seek credit products from us or to draw down on their existing credit.

We may be deemed as a lender or a provider of financial services by the PRC regulatory authorities.

We commenced our business in early 2014. We have established trusts in collaboration with trust companies starting in December 2016. Such trusts are funded by funds from institutional funding partners and our own capital. Since the trust companies administering such trusts have been licensed by financial regulatory authorities to lend, credit drawdowns funded under this arrangement are not private lending transactions within the meaning of the Private Lending Judicial Interpretation issued by the Supreme People's Court of the PRC in August 2015. In 2019, the amount of transactions facilitated through trusts was RMB12,843.7 million (US$1,844.9 million), representing approximately 21.1% of the total amount of transactions facilitated under the loan book business during such period. We currently fund a majority of credit drawdowns initially disbursed by us through banks or trusts. We historically funded credit drawdowns through online small credit companies established by us.

We disbursed funds to borrowers without utilizing online small credit companies or trusts in the past, which may be considered to involve the use of our own capital in lending, as a result of which we may be deemed as a lender or a provider of financial services by the PRC regulatory authorities, and we may become subject to supervision and restrictions on lending under applicable laws and regulations. For example, the Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations, promulgated by the PRC State Council, or the State Council, in July 1998 and revised in 2011, prohibits financial business activity, including fund raising and facilitating loans to the public, to be conducted without the approval of the People's Bank of China, or the PBOC. The General Rules on Loans issued by the PBOC in June 1996 provides that a financial institution shall conduct the business with the approval of the PBOC. Otherwise, it will be subject to a fine from one time to five times of the illegal revenues, and the PBOC has the authority to order such business to suspend its operations. Such existing PRC laws and regulations with respect to the supervision and restrictions on lending to the public were primarily aimed to regulate traditional banking and financial institutions at the time of their respective promulgations, and the regulatory environment in the PRC has evolved since then. With the rapid development and evolving nature of the consumer finance industry and other new forms of Internet finance business in China, there are uncertainties as to the interpretation of the laws and regulations mentioned above as well as whether such laws and regulations are applicable to our business. In the event that we are considered by the relevant authorities to be subject to such PRC laws and regulations, and our past business operations are deemed to be in violation of such laws and regulations, we may be exposed to certain administrative penalties, including the confiscation of illegal revenue and fines up to five times the amount of the illegal revenue as mentioned above. Furthermore, our financing service fees received from borrowers might be fully or partially deemed as interest, such fees may be subject to the restrictions on interest rate as specified in applicable rules on private lending. For example, in accordance with the Provisions on Several Issues Concerning Laws Applicable to Trials of Private Lending Cases issued by the Supreme People's Court of the PRC on August 6, 2015, or the Private Lending Judicial Interpretations, which came into effect on September 1, 2015, if the annual interest rate of a private loan is higher than 24%, the excess will not be enforced by the courts; if the annual interest rate is higher than 36%, the excess will be void and will not be enforced by the courts. See "Item 4. Information on the Company — B. Business Overview — Regulations — Regulations related to Loans and Intermediation."

In August 2015, the Legislative Affairs Office of the State Counsel of the PRC published a consultation paper seeking public comments on the Regulations on Non-Deposit-Taking Lending Organizations (Draft for

Comment), or the Draft Regulations on Non-Deposit-Taking Lending, with a Note on the Draft Regulations on Non-Deposit-Taking Lending published by the PBOC, or the PBOC Note on the Draft Regulations on Non-Deposit-Taking Lending. According to the PBOC Note on the Draft Regulations on Non-Deposit-Taking Lending, rather than generally categorizing activities like lending to public without the approval of PBOC as illegal, PBOC recognizes that, with the continuous development of the financial industry, the credit market in the PRC has developed into multiple segments, in addition to the traditional lending by financial institutions, and non-deposit-taking lending organizations of various types have formed an important part of, and enriched the tiers of, the credit market of the PRC. The PBOC also states that the Draft Regulations on Non-Deposit-Taking Lending seeks to regulate small credit companies and other non-deposit-taking lending organizations that are not covered by the current regulatory framework in the PRC, which we believe may include companies such as ours.

It is uncertain when or whether the Draft Regulations on Non-Deposit Lending-Taking will be officially promulgated and take effect and whether the promulgated version would be substantially revised. Therefore, substantial uncertainty remains regarding the final framework, scope and applicability to us of the Draft Regulations on Non-Deposit Lending-Taking to us. We cannot assure you that our past or existing practices would not be deemed to violate any existing or future laws, regulations and governmental policies. If the Draft Regulations on Non-Deposit Lending-Taking is enacted as proposed, we may have to obtain the requisite business permit and operate in accordance with relevant requirements provided therein.

The laws and regulations governing the online consumer finance industry in the PRC are still at a nascent stage and subject to further change and interpretation. If our business practices or the business practices of our institutional funding partners are deemed to violate any PRC laws or regulations, our business, financial condition, results of operations and prospects would be materially and adversely affected

The PRC government has not adopted a clear regulatory framework governing the new and rapidly-evolving online consumer finance industry in which we operate, and our business may be subject to a variety of laws and regulations in the PRC that involve financial services, including consumer finance, small credit, and private lending. The application and interpretation of these laws and regulations are ambiguous, particularly in the new and rapidly-evolving online consumer finance industry in which we operate, and may be interpreted and applied inconsistently between the different government authorities. As of December 31, 2019, we had 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 adopts a stringent regulatory framework for the online consumer finance industry in the future, and subject market participants such as our company to specific requirements (including without limitation, capital requirements, reserve requirements and licensing requirements), our business, financial condition and prospects would be materially and adversely affected. The existing and future rules, laws and regulations can be costly to comply with and if our practice is deemed to violate any existing or future rules, laws and regulations, we may face injunctions, including orders to cease illegal activities, and may be exposed to other penalties as determined by the relevant government authorities as well.

In July 2015, the Guidelines on Promoting the Healthy Development of Internet Finance, or the Internet Finance Guidelines, were jointly released by ten PRC regulatory agencies. The Internet Finance Guidelines set out the regulatory framework and some basic principles on regulating the online consumer finance business in the PRC. The Internet Finance Guidelines specify that the China Banking Regulatory Commission, or the CBRC, will have primary regulatory responsibility for the online consumer finance businesses in China, which as currently used in the Internet Finance Guidelines is interpreted as businesses conducted via the Internet by consumer finance companies. Pursuant to the Pilot Measures for the Administration of Consumer Finance Companies released by the CBRC in November 2013, or the Pilot Consumer Finance Measures, consumer finance companies in the PRC refer to non-banking financial institutions as approved by the CBRC that do not engage in taking public deposits from individual lenders and provide individual borrowers with consumer loans pursuant to the principles that such loans be small amount in nature and widely dispersed to various borrowers. However, the Internet Finance Guidelines and the Pilot Consumer Finance Measures do not explicitly provide guidance or requirements on other forms of online consumer finance business conducted by participants other

than the CBRC-approved consumer finance companies as defined in the Pilot Consumer Finance Measures, including, for example, our business. Therefore, it is currently uncertain whether our business practice is subject to the relevant rules regarding online consumer finance companies provided under the Internet Finance Guidelines and consumer finance companies provided under the Pilot Consumer Finance Measures. Given the evolving regulatory environment of the consumer finance industry, we cannot rule out the possibility that the CBRC or other government authorities will issue new regulatory requirements to institute a new licensing regime covering our industry. If such a license regime is introduced or new regulatory rules are promulgated, we cannot assure you that we would be able to obtain any new licenses or other regulatory approvals in a timely manner, or at all, which would materially and adversely affect our business and impede our ability to continue our operations.

According to two circulars promulgated in April 2016, namely the Circular of the General Office of the PRC State Council on Issuing the Implementing Proposals for the Special Rectification of Internet Financial Risks and the Circular on Issuing the Implementing Proposals for the Special Rectification of P2P online Financial Risks, two special task forces at the central-government level, namely the Office of the Leading Group for Specific Rectification against Online Finance Risks, or the Online Finance Risks Rectification Office, and the Office of the Leading Group for Specific Rectification against P2P Online Lending Risks, or the P2P Online Lending Rectification Office, were established to align the regulatory measures of the PBOC, the CBRC, and other relevant PRC government authorities that regulate the business operations of online finance companies and P2P platforms.

In addition, in August 2016, the CBRC, the Ministry of Industry and Information Technology, or the MIIT, the Ministry of Public Security of China and the Office for Cyberspace Affairs jointly promulgated the Interim Measures for Administration of the Business Activities of Online Lending Information Intermediary Institutions, or the Interim Online Lending Information Intermediary Measures, which set out certain rules to regulate the business activities of online lending information intermediary institutions. The Interim Online Lending Information Intermediary Measures define “online lending” as direct lending between peers, which can be natural persons, legal persons or other organizations, through Internet platforms, and “online lending information intermediary institutions” as financial information intermediaries that are engaged in lending information business and directly provide peers with lending information services, such as information collection and publication, credit rating, information interaction and loan facilitation between borrowers and lenders for them to form direct peer-to-peer lending relationships. The Interim Online Lending Information Intermediary Measures are only applicable to private lending transactions according to relevant interpretations by the China Banking Regulatory Commission. Loans funded by financial institutions which are licensed by financial regulatory authorities are not private lending transactions within the meaning of the Private Lending Judicial Interpretation issued by the Supreme People’s Court of the PRC in August 2015. Therefore, facilitation of loans funded directly by such licensed financial institutions is not subject to the regulation set forth in the Interim Online Lending Information Intermediary Measures.

On December 8, 2017, the P2P Online Lending Rectification Office issued the Notice on the Rectification and Inspection Acceptance of Risk of Online Lending Intermediaries, or Circular 57, which provides further clarification on several matters in connection with the rectification of online lending information intermediaries. The Circular 57 requires that online lending intermediaries set up custody accounts with qualified banks that have passed certain testing and evaluation procedures run by the P2P Online Lending Rectification Office to hold customer funds. Pursuant to the Circular 57, online lending information intermediaries that have already established risk reserve funds shall not continue to set aside any of their funds as additional risk reserve and shall gradually reduce the balance of their existing risk reserve funds. Other than risk reserve funds, online lending information intermediaries shall actively seek alternative means of investor protection, such as third-party guarantee arrangements.

In particular, starting from the issuance of the Circular on the Classification and Disposal of Risks of Online Lending Institutions and Risk Prevention on December 19, 2018, or Circular 175, by the Online Finance Risks

Rectification Office and the P2P Online Lending Rectification Office, a storm of regulatory measures have been taken by the PRC government centered on the enhancement of rectification of existing P2P platforms, with the goal of guiding such platforms to wind down and exit P2P business. The overarching objective of Circular 175 is for the PRC government agencies to effect orderly exits of peer-to-peer direct lending marketplaces without inducing systematic risks in the financial system or causing significant social turbulence. In accordance with Circular 175, P2P lending platforms which have demonstrated risk characteristics should exit the business or cease operation, and even the normal platforms must limit the scale of outstanding business and number of investors, which is sometimes referred as the "Business Dual Decrease," and eventually seek to become licensed small credit companies, loan facilitation companies servicing banking institutions or companies channeling information for banking institutions. The regulatory actions under such stringent regulation on P2P lending platforms have decimated P2P lending platforms, including many well-known or listed companies such as Yidai, LuFax, and China Rapid Finance (NYSE: XRF). As of December 31, 2019, 18 provincial government agencies or internet financing associations have announced the exit plans of P2P lending platforms in their jurisdictions, among which provincial government agencies in Yunnan, Hebei, Sichuan, Chongqing, Henan, Shandong and Hunan have explicitly announced to clamp down all P2P lending businesses. It is reported that in November 2019, the Online Finance Risks Rectification Office and the P2P Online Lending Rectification Office jointly issued the Guidance of Transformation of Online Lending Information Intermediaries to Small Credit Companies, or Guidance 83, which further signals the fundamental goal of the PRC government to end of P2P business.

We do not engage in direct loan facilitation between peers. While we facilitate transactions that are directly funded by certain institutional funding partners, such companies are financial institutions licensed by financial regulatory authorities to lend. As such, we do not consider ourselves as an "online information intermediary institution" regulated under the Interim Online Lending Information Intermediary Measures. However, we cannot assure you that the CBRC, the P2P Online Lending Rectification Office or other PRC governmental agencies would not expand the applicability of the Interim Online Lending Information Intermediary Measures and/or otherwise regard us as an online lending information intermediary institution. As a provider of online credit products, our business share certain similarities with those of P2P platforms. In March 2017, Beijing Happy Time received a rectification notice from the Beijing Branch of the Office of Leading Group for Special Rectification against Online Finance Risks, which was also the Office of the Leading Group for Special Rectification against P2P Online Lending Risks of Beijing or the Beijing Rectification Office, the regulator of the Internet finance and online lending industry in Beijing. The rectification notice required Beijing Happy Time to conduct certain improvements and corrections to its business operation to be in compliance with the Interim Online Lending Information Intermediary Measures and the Implementing Scheme of Special Rectification of Risks in the Internet Finance Sector. We do not believe we are subject to the Interim Online Lending Information Intermediary Measures, Circular 57 and Circular 157 and have discussed with the Beijing Rectification Office about the difference between our business and those of "online information intermediary institution" as defined in the Interim Online Lending Information Intermediary Measures and that certain correction requirements in the notice were not actually related to our business. Nevertheless, the Beijing Rectification Office still required us to comply with certain requirements under the Interim Online Lending Information Intermediary Measures regardless of whether we are a P2P platform due to the fact that some of our institutional funding partners are P2P platforms, which are identified as online lending information intermediary institutions in accordance with the Interim Online Lending Information Intermediary Measures and other PRC laws and regulations. As such, we were deemed to be participating in a certain part of the "online lending" process as defined in the Interim Online Lending Information Intermediary Measures. We have since carried out certain improvements and corrections as required by the Beijing Rectification Office and are maintaining an ongoing dialogue with the Beijing Rectification Office. As of the date of this annual report, we have not received final clearance from the Beijing Rectification Office that our rectification efforts were sufficient, and there can be no assurance that we will be able to receive such final clearance. We also cannot assure you that the Beijing Rectification Office will agree with our position that we are not an "online information intermediary institution." In the event that we are deemed as an online lending information intermediary institution by the PRC regulatory authorities in the future, we may have to register with local financial regulatory authorities and apply for telecommunication business

operation licenses if required by the competent authorities, and our current business practices may be considered to be in violation of the Interim Online Lending Information Intermediary Measures. Accordingly, we may face administrative orders to make rectification, receive administrative warnings or criticism notice, monetary penalties up to RMB30,000 and other penalties, and our business, results of operations and financial position could be materially and adversely affected.

We have cooperated with our institutional funding partners, whose compliance with PRC laws and regulations may affect our business. Our collaboration with institutional funding partners have exposed us to and may continue to expose us to additional regulatory uncertainties faced by such institutional funding partners. In addition, we have ceased transferring credit drawdowns to P2P platforms in April 2017. Nonetheless, we cannot assure you that the business operations of our institutional funding partners currently are or will be in compliance with the relevant laws and regulations, and in the event that our institutional funding partners do not operate their businesses in accordance with the relevant laws and regulations or are engaged in illegal activities, they will be exposed to various regulatory risks and accordingly, our business, financial condition and prospects would be materially and adversely affected.

In April 2017, the P2P Online Lending Rectification Office, the regulator for administration and supervision on the nationwide Internet finance and online lending, issued the Notice on the Conduction of Check and Rectification of Cash Loan Business Activities and a supplementary notice, or the Notice on Cash Loan. The Notice on Cash Loan requires the local counterparts of the P2P Online Lending Rectification Office to conduct a full-scale and comprehensive inspection of cash loan business conducted by online platforms and require such platforms to conduct necessary improvements and corrections within a designated period to comply with the relevant requirements under the Private Lending Judicial Interpretation issued by the Supreme People's Court of the PRC in August 2015, the Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations, the Guiding Opinions on Small Credit Companies, the Interim Online Lending Information Intermediary Measures and the Implementing Scheme of Special Rectification of Risks in the Internet Finance Sector. The Notice on Cash Loan focuses on preventing malicious fraudulent activities, loans that are offered at extortionate interest rates and violence in the loan collection processes in the cash loan business operation of online platforms. The P2P Online Lending Rectification Office issued a list of cash loan business that are to be examined, which includes Laifenqi, one of the brands in which we use to market our credit products. In light of the Notice on Cash Loan, we have taken measures, including re-evaluating and adjusting the amount of financing service fees we charge on all credit drawdowns in an effort to comply with applicable regulations. Due to the uncertainties with respect to the interpretation and application of the laws and regulations as stated in the Notice on Cash Loan, we cannot assure you our business practice will be deemed to be in full compliance with all such laws and regulations, and we may face injunctions, including orders to change our current business activities, and may be exposed to other penalties as determined by the relevant government authorities after such examination according to the Notice on Cash Loan. Furthermore, we may be required to conduct certain other improvements or corrections which could be costly, and our business, financial condition, results of operations and prospects would be materially and adversely affected.

The Online Finance Risks Rectification Office and P2P Online Lending Rectification Office jointly issued the Circular on Regulating and Rectifying Cash Loan Business on December 1, 2017, or Circular 141. Circular 141 sets out the principles and new requirements for the conduct of "cash loan" businesses by small loan companies, P2P platforms and banking financial institutions. Circular 141 does not clearly define "cash loans," but it indicates that cash loans that are subject to regulation and rectification have certain features, such as the lack of (i) specific user cases (which, as we understand the term, refers to scenarios in which users purchase specific products or services on credit), (ii) specified uses of loan proceeds, (iii) defined customer base, or (iv) collateral.

The Circular 141 sets forth several general requirements with respect to "cash loan" business, including, among others: (i) no organizations or individuals may conduct the lending business without obtaining approvals for the lending business; (ii) the aggregate borrowing costs of borrowers charged by institutions in the forms of

interest and various fees should be annualized and subject to the limit on interest rate of private lending set forth in the Private Lending Judicial Interpretations issued by the Supreme People's Court; (iii) all relevant institutions shall follow the "know-your-customer" principle and prudently assess and determine the borrower's eligibility, credit limit, cooling-off period and other relevant features; (iv) loans to any borrower without income sources are prohibited; (v) all relevant institutions shall enhance the internal risk control and prudently use "data-driven" risk management models; (vi) no lending institution or any third party entrusted thereby may collect debts by means of violence, intimidation, insult, defamation or harassment; and (vii) lending institutions shall strengthen the protection of customers' information, and shall not steal or misuse customers' private information in the name of "Big Data", or illegally trade or disclose customers' private information.

The Circular 141 also sets forth several requirements on banking financial institutions participating in "cash loan" business, including, among others, (i) such banking financial institutions shall not extend loans jointly with any third-party institution which has not obtained approvals for the lending business, or fund such institution for the purpose of extending loans in any form; (ii) with respect to the loan business conducted in cooperation with third-party institutions, such banking financial institutions shall not outsource the core business (including the credit assessment and risk control), and shall not accept any credit enhancement service whether or not in a disguised form (including the commitment to taking default risks) provided by any third-party institutions with no guarantee qualification and (iii) such banking financial institutions must require and ensure that the third-party institutions shall not collect any interests or fees from the borrowers. It remains uncertain how the regulatory authorities will interpret and enforce the requirements of Circular 141 under various circumstances. We have entered into arrangements with several banks which directly fund credit drawdowns to borrowers. We refer to such banks qualified credit applications from borrowers, including our assessment of their credit profiles and our suggested credit limits. They will then review the credit applications and approve credit for drawdown. Borrowers directly repay principal and financing service fees to the relevant institutional funding partners, who will in turn deduct the principal and fees due to them from the repayments and remit the remainder to us as our loan facilitation fees.

On October 9, 2019, the Supplementary Provisions on the Supervision and Administration of Financing Guarantee, or Financing Guarantee Provisions, is jointly issued by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission and other seven central governmental departments. Although financing guarantee, which means guarantor providing security for the secured party's debt financing such as borrowings and issuance of bonds, has always been a licensed activity, the Financing Guarantee Provisions further tightens the supervision of such business. Specifically, it provides that institutions providing customer referral, credit rating or other services for loan lenders are barred from offering financing guarantee services in any manner unless after obtaining necessary approvals. Our off-balance sheet transactions may be deemed to involve both customer referral and financing guarantee services. However, we do not directly or indirectly provide any financing guarantee to lenders without approvals. Our outstanding loans, if involving guarantees, are either guaranteed by one of our wholly owned subsidiaries, Xiamen Xincheng Youda Financing Guarantee Ltd., or Xiamen Xincheng or covered by alternative arrangements with third-party companies with financing guarantee licenses. Xiamen Xincheng has obtained a license to provide financing guarantee service. We plan to provide guarantees for credit drawdowns through Xiamen Xincheng, which has a registered capital of RMB900 million. As of December 31st, 2019, the net assets of Xiamen Xincheng was RMB922.6 million (US$132.5 million), and it was therefore permitted to incur guarantee liabilities and risk assurance liabilities up to RMB9,225.8 million (US$1,325.2 million). Nonetheless, if our arrangement to provide guarantees through the alternative arrangements are deemed to be in violation of Circular 141 or Financing Guarantee Provisions, we could be subject to penalties and/or be required to change our business model. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

On July 23, 2019, the Supreme People's Court of the PRC, the Supreme People's Procuratorate of the PRC, the Ministry of Public Security and Ministry of Justice of the PRC jointly issued the Opinions on Several Issues Concerning Handling Illegal Lending Criminal Cases, or the Illegal Lending Opinions. According to the Illegal Lending Opinions, providing loans to unspecified public regularly (meaning more than ten borrowers in any

given two years) without necessary governmental approvals will constitute illegal lending practices, of which the provision of loans of annual interest rate (including nominal interest and fees charged to borrowers in combination) higher than 36%, under serious or very serious circumstances, is criminally punishable ("Illegal High-interest Lending"). The Illegal Lending Opinions also provides specific definition of "serious" and "very serious" Illegal High-Lending. In comparison to previous administrative and judicial practices, the Illegal Lending Opinions criminalizes Illegal High-interest Lending practices at the first time. In addition, under the Illegal Lending Opinions, the collection of debts by means of violence is forbidden. Whoever gathers, instigates or hires others to forcibly collect debts by disturbing, pestering, beguiling, gathering a crowd to create momentum or otherwise, which does not constitute a crime independently, but the illegal lending has constituted the crime of illegal operation, shall be imposed a heavier punishment as the case may be in accordance with the provisions on the crime of illegal operation. In an effort to comply with potentially applicable laws and regulations, the Company adjusted the pricing of its credit products in April 2017 to ensure that the annualized fee charged on all credit drawdowns rates (including interest and fees combined) do not exceed 36%. The Company does not believe the regulatory change represented by the Illegal Lending Opinions will materially affect its business.

We focus on complying with relevant laws, regulations and government policies applicable to our business practice in the PRC and have implemented various measures. We have established trusts in collaboration with trust companies starting in December 2016. In addition, we continuously seek to work with additional institutional funding partners, including more traditional banking institutions, in light of the regulatory uncertainties faced by certain of our institutional funding partners, such as P2P platforms. In April 2017, we ceased transferring credit drawdowns to P2P platforms and certain other institutional funding partners. However, due to the lack of clarity in the potential interpretation of the relevant rules and the fact that the rules, laws and regulations are expected to continue to evolve in this newly emerging industry in which we operate, we cannot assure you that our measures would effectively prevent us from violating any existing or future rules, laws and regulations. In addition, although the relevant regulations on P2P platforms do not directly apply to us, any regulatory restrictions may cause borrowers with lower credit qualities to seek for our service, which may have negative effect on our delinquency rates. Furthermore, such changes in regulations may also affect market sentiment and have a negative impact on our partnership with institutional funding partners.

As part of our efforts to obtain funding at competitive costs, we may from time to time explore alternative funding initiatives to support our rapid business growth, including through standardized capital instruments such as the issuance of asset-backed securities and other debt and equity offerings. The current PRC regulatory framework does not impose many restrictions and obligations on us as the credit originator of any potential asset-backed securities offering. Pursuant to the relevant PRC laws and regulations, an institution, such as our online small credit companies, is entitled to establish an asset-backed securities scheme as a credit originator for such scheme on the condition that it has legitimate ownership to the underlying transferred assets that are able to generate independent and predictable cash flow in compliance with relevant laws and regulations. However, the initiators of any potential asset-backed securities scheme with whom we work with are required to be financial institutions and they are subject to a variety of laws and regulations in the PRC, such as Administrative Provisions on the Asset Securitization Business of Securities Companies and the Subsidiaries of Fund Management Companies and Measures for the Supervision and Administration of Pilot Projects of Credit Asset Securitization of Financial Institutions. Since we will not operate as an initiator of any asset-backed securities scheme, we will not be subject to these laws and regulations governing financial institutions as initiators. However, as the laws and regulations applicable to asset-backed securities are still developing, it remains uncertain as to the application and interpretation of such laws and regulations, particularly relating to the new and rapidly evolving online consumer finance industry in which we operate.

To the extent we issue asset-backed securities in the future, we do not plan to issue such securities to investors located in the United States or otherwise meeting the definition of "U.S. persons" as defined under Rule 902 under the Securities Act. As such, we do not believe that any such potential issuances will be subject to the requirements in Regulation AB under the Securities Act and the related rules. Nonetheless, if we issue asset-

backed securities in the future that are required to be registered under the Securities Act, we may need to comply with Regulation AB and related rules, which may make the issuance of such asset-backed securities impracticable.

Our financing service fees may decline in the future and any material decrease in such financing service fees could harm our business, financial condition and results of operations.

We generate a material portion of our total revenues from financing service fees. In 2019, financing income, which we recognize for our on-balance sheet transactions, comprised 39.7% of our total revenues. In addition, we recognize revenues from loan facilitation services when we match borrowers with funding partners and the funds are transferred to the borrowers. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed. As such, the amount of financing service fees charged under such arrangements may affect the amount of loan facilitation fees that we collect. Any material decrease in our financing service fees would have a substantial impact on our margin. In the event that the amount of financing service fees we charge for credit drawdowns we facilitated decrease significantly in the future and we are not able to reduce our cost of capital for funds from institutional funding partners or to adopt any cost control initiatives, our business, financial condition and results of operations will be harmed. To compete effectively, the financing service fees we charge could be affected by a variety of factors, including the creditworthiness and ability to repay of the borrowers, the competitive landscape of our industry, our access to capital and regulatory requirements. Our financing service fees may also be affected by a change over time in the mix of the types of products we offer and a change to our borrower engagement initiatives. Our competitors may also offer more attractive fees, which may require us to reduce our financing service fees to compete effectively. Certain consumer financing solutions offered by traditional financial institutions may provide lower fees than our financing service fees. Although we do not believe such consumer financing solutions currently compete with our products or target the same unserved or underserved consumers in China, such traditional financial institutions may decide to do so in the future, which may have a material adverse effect as to the financing service fees that we will be able to charge. Furthermore, as our borrowers establish their credit profile over time, they may qualify for and seek out other consumer financing solutions with lower fees, including those offered by traditional financial institutions offline, and we may need to adjust our financing service fees to retain such borrowers.

In addition, our financing 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. Our financing service fees, to the extent they are fully or partially deemed as interest, may also be subject to the restrictions on interest rate as specified in applicable rules on private lending. Circular 141 provides that overall capital cost charged on a borrower, comprised of interests and fees, should be in compliance with the judicial interpretations by the Supreme People's Court of the PRC regarding interest rates in private lending. According to the Private Lending Judicial Interpretations, if the annual interest rate of a private loan is higher than 36%, the excess will be void and will not be enforced by the courts. The annualized fee rates charged by us on a significant number of transactions facilitated were in excess of 36% historically. Among the number of transactions we facilitated in 2016, 59.5% of their annualized fee rates exceeded 36%. Had all such credit drawdowns reduced their annualized fee rates to 36%, our revenue would have been reduced by approximately RMB307 million, representing 21% of our total revenues in 2016.

In an effort to comply with potentially applicable laws and regulations, we adjusted the pricing of our credit products in April 2017 to ensure that the annualized fee rates charged on all credit drawdowns do not exceed 36%. As financing service fees historically accounted for a substantial majority of our revenue, if the cap on annualized fee rates is reduced from 36%, or if there is any material reduction in the amount of financing service fees we charge, our business, results of operations and financial condition could be materially and adversely affected. See "The laws and regulations governing the online consumer finance industry in the PRC are still at a nascent stage and subject to further change and interpretation. If our business practices or the business practices

of our institutional funding partners are deemed to violate any PRC laws or regulations, our business, financial condition, results of operations and prospects would be materially and adversely affected." In addition, as some of our institutional funding partners are prohibited from charging fees at annualized rates in excess of 24%, we cooperate with various insurance and asset management companies to charge additional fees from the relevant borrowers so that the overall fee rates applicable to such borrowers would still be within the limit of 36% on an annualized basis. If such arrangements were found by the regulatory authorities to be in violation of the applicable laws and regulations, our business, results of operations and financial condition could be materially and adversely affected.

In addition, the Circular 141 requires financial institutions to ensure that the loan facilitation operators they cooperate with do not collect interests or fees from borrowers. Although we no longer charge borrowers directly of any financing service fees, we do receive service fees from our institutional funding partners and third-party guarantee companies, which in turn charge fees from borrowers. We do not believe such practice is in violation of Circular 141. However, as the Circular 141 and other relevant regulations lack detailed guidance, the relevant authorities has broad discretion in the interpretation and implementation of such rules. We cannot rule out the possibility that the government authorities would still consider our business practices described above to be in violation of Circular 141. These regulations may be interpreted or enforced in ways that are different from our understanding and expectations. Moreover, the PRC government may seek to enhance the regulatory scrutiny of our industry and promulgate new laws and regulations in response to the growth of consumer finance. To the extent that any new laws and regulations or any interpretations of existing laws and regulations restrict our ability to continue and expand our current operations, cause any aspects of our current operations to become non-compliant, or impose material compliance costs on us, our business and results of operations may be materially and adversely affected.

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 department, and unless otherwise stipulated by the state, 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.

On October 9, 2019, the Supplementary Provisions on the Supervision and Administration of Financing Guarantee Companies, or Financing Guarantee Provisions, is jointly issued by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission and other seven central governmental departments. Although financing guarantee has always been a licensed activity, the Financing Guarantee Provisions further tightens the supervision of such business. Specifically, it provides that institutions providing customer referral, credit rating or other services for loan lenders are barred from offering financing guarantee services in any manner unless after obtaining necessary approvals.

Under our loan bank business, we have entered into cooperative arrangements with certain banks in which they are identified as the lender under the agreements with borrowers and the borrowers are required to repay the principal and financing service fees directly to them. However, when borrowers under arrangements with banks fail to repay, we are obligated to repay the relevant bank the full overdue amount. In addition, pursuant to our agreement with a consumer finance company, we will make cash payments to the consumer finance company based on the overdue amount of loans that we have facilitated in which the consumer finance company

originates. For year 2019, such transactions, which are off-balance sheet transactions, represented 62.6% of the total amount of transactions under our loan book business. We have also entered into arrangements with various institutional funding partners to fund on-balance sheet transactions, and we are also obligated to compensate such institutional funding partners for borrower default. For year 2019, such on-balance sheet transactions represented 11.2% of the total amount of transactions under our loan book business. As such, transactions funded by institutional funding partners represented 73.8% of the total amount of transactions under our loan book business for year 2019.

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 institutional funding partners. However, institutions providing customer referral, credit rating or other services for loan lenders are barred from offering financing guarantee services in any manner unless after obtaining necessary approvals in accordance with Financing Guarantee Provisions. 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. One of our wholly-owned subsidiaries, Xiamen Xincheng, obtained a license to provide financing guarantee service in March 2019. We provide guarantees for certain credit drawdowns through Xiamen Xincheng. Under the Financing Guarantee Rules, the outstanding guarantee liabilities and risk assurance liabilities of a financing guarantee company shall not exceed ten times of its net assets. Nonetheless, we may also provide guarantees through alternative arrangements, such as cooperation with third parties with financing guarantee licenses. If such alternative arrangements are deemed to be in violation of Circular 141, we could be subject to penalties and/or be required to change our business model. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to successfully operate our open platform for transaction services business.

In the second half of 2018, we launched an open platform for transaction services business. The open platform helps financial service providers grow, while simultaneously bringing value to consumers. The transaction services business also allows us to further monetize our user base and mitigate our credit risk exposure. We perform credit assessment on users applying for credit on our platform, following which we primarily refer users that meet our credit requirements to licensed institutional funding partners that participate on the platform. We receive commissions from the institutional funding partners for such referrals. For users that do not meet our credit requirements, we refer their applications to other financial service providers that participate on the platform. We typically charge such financial service providers for lead generation on a cost-per-click basis. The financial service providers perform independent credit assessment for the transactions facilitated under our transaction services business, and we do not bear credit risk for the transactions.

The success of the open platform depends on our ability to attract more users and financial service providers. However, both users and financial service providers may become dissatisfied with our platform and users may consequently be reluctant to continue to use our platform and utilize our credit products and financial service providers may be hesitant to continue to partner with us. As a result, our business, reputation, results of operations and financial condition will be materially and adversely affected.

Furthermore, we have limited control over the products of financial service providers. The regulatory framework for online consumer finance market in China is both complex and constantly evolving. If any product we recommended on our platform is found to violate the relevant laws and regulations, we may suffer significant reputational damage, and our business, results of operations and financial condition would be materially and adversely affected.

We intend to continue to explore new business opportunities, and such new businesses may not deliver the expected benefits.

To grow our business, we intend to continue to explore new business opportunities in addition to our core consumer finance business. For example, we launched an open platform for transaction services business in the second half of 2018 to leverage our user base. In addition, we launched Wanlimu, an online luxury fashion products platform, in March 2020. We cannot assure you that our new business initiatives will be successful. We may make significant capital expenditures to develop new businesses, and our management's attention may be diverted. We may also incur significant cost to comply with the laws and regulations that apply to such new businesses. Any failure of our efforts to pursue new business opportunities could have a material adverse effect on our business, prospects, financial condition and results of operations.

If our Wanlimu platform is unable to provide good customer experience, our business and reputation may be materially and adversely affected.

The success of our e-commerce business hinges on our ability to provide good customer experience, which in turn depends on a variety of factors. These factors include, among others, our ability to continue to offer authentic products at competitive prices, source products to respond to evolving customer tastes and demands, maintain the quality of our products and services, and provide timely and reliable delivery. For example, if we fail to obtain favorable terms from our suppliers, we would not be able to offer products at attractive prices. Furthermore, luxury fashion trends are constantly evolving, and we may not be able to offer products that satisfy customer preferences.

We rely on contracted third-party delivery service providers to deliver our products. Interruptions to or failures in the delivery services could prevent the timely or successful delivery of our products. These interruptions or failures may be due to unforeseen events that are beyond our control or the control of our third-party delivery service providers, such as inclement weather, natural disasters, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept delivery and have less confidence in our services. Furthermore, the delivery personnel of contracted third-party delivery service providers directly interact with our customers on our behalf. Any failure for these personnel to provide high-quality delivery services to our customers may negatively impact the shopping experience of our customers, damage our reputation and cause us to lose customers.

If our customer service representatives, sales representatives or maintenance engineers and technicians fail to provide satisfactory service, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

In addition, we rely on our technology infrastructure to offer a good customer experience on Wanlimu. If we fail to properly upgrade our technology infrastructure to serve the growing number customers, the Wanlimu platform may experience outages, service disruptions or other system failures, which would adversely affect our business and reputation. We also plan to launch marketing campaigns on third-party social media platforms, and system failures on such platforms could have an adverse impact on our marketing efforts.

If our Wanlimu platform fails to offer products that attract new customers and new purchases from existing customers, our business, financial condition and results of operations may be materially and adversely affected.

The future growth of the Wanlimu platform depends on our ability to continue to attract new customers as well as new purchases from existing customers. Constantly changing consumer preferences and product trends have affected and will continue to affect the online and offline luxury product retail industry in China. We must stay abreast of emerging consumer preferences and anticipate product trends that will appeal to existing and

potential customers. In addition, our customers choose to purchase authentic and quality products on our platform due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites or physical stores. If our customers cannot find their desired products on our platform at attractive prices, our customers may lose interest in us and visit our platform less frequently or even stop visiting our platform, which in turn may materially and adversely affect our business, financial condition and results of operations.

As we aim to ramp up our Wanlimu platform, we expect to incur significant sales and marketing expenses to acquire users. We plan to utilize both online and offline marketing channels in China to raise awareness of Wanlimu among our target users. While we aim to continuously optimize the efficiency of our marketing strategies, there can be no assurance that such efforts will be successful. If we fail to acquire users cost effectively, our business, results of operations and financial condition would be materially and adversely affected.

We face intense competition in our e-commerce business.

The retail market of luxury products in China is fragmented and highly competitive. We face competition from traditional offline luxury products retailers and their online platforms, domestic and global brand online platforms, major domestic e-commerce platforms and global online luxury products retailers. Our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, more cost-effective fulfillment capabilities or greater financial, technical or marketing resources than we do. Competitors may leverage their brand recognition, experience and resources to compete with us in a variety of ways, including investing more heavily in research and development and expanding of their product and service offerings through acquisition. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites and system development than us. In addition, new and enhanced technologies may increase the competition in the online retail market. Increased competition may reduce our revenues, market share, customer base and brand recognition. There can be no assurance that we will be able to compete successfully against current or future competitors, and such competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

We may incur liability or become subject to administrative penalties for counterfeit or unauthorized merchandise sold on Wanlimu, or for merchandise sold on Wanlimu that infringe on third-party intellectual property rights, or for other misconduct.

Our Wanlimu platform sources merchandise from third-party suppliers. Although we have adopted measures to verify the authenticity and authorization of merchandise sold on Wanlimu and avoid potential infringement on third-party intellectual property rights in the course of sourcing and selling merchandise, we may not always be successful in these efforts.

In the event that any counterfeit, unauthorized or infringing merchandise is sold on our platform, we could face claims for which we may be held liable. We have not in the past received claims alleging our infringement on third parties' rights, and if we receive such claims in the future irrespective of their validity, we could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant merchandise. If we negligently participate or assist in infringement activities associated with counterfeit goods, we may be subject to potential liability under PRC law including injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

If we fail to forecast customer demand or manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

We plan to operate the Wanlimu platform primarily on the basis of just-in-time ordering, whereby we purchase the relevant products from suppliers upon receiving customer orders. Nonetheless, we maintain a certain level of inventory to ensure a good customer experience, and we are required to manage such inventory effectively. We depend on our forecasts of demand for and popularity of various products to make purchase decisions and to manage our inventory. Demand for luxury products, however, may change significantly between the time a product is ordered by us and the date of sale on our Wanlimu platform. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer tastes and other factors, and our customers may not order products in the quantities that we expect. It may be difficult to accurately forecast customer demand, and determine the appropriate products to procure.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial working capital, preventing us from using that funding for other business purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in lost sales, diminished brand loyalty and lost revenues, any of which could harm our business and reputation.

Our Wanlimu platform may be affected by customs laws, regulations and policies.

Substantially all of the products offered on the Wanlimu platform are imported from countries or regions outside of China. Pursuant to relevant PRC customs laws and regulations, failure to complete proper import procedures or evading custom duties may lead to administrative or criminal sanctions imposed by competent PRC governmental or judicial authorities. Moreover, competent PRC governmental or judicial authorities may also impose sanctions on anybody who has (i) directly purchased illegally imported goods with the knowledge that such goods were illegally imported into China, or (ii) intentionally financed or otherwise assisted in such activities. We engage a third-party service provider that assists us in completing the relevant import procedures, and such service provider may fail to perform its duties properly. Furthermore, we must also comply with the relevant customs laws and regulations in the countries from which we source our products. Despite our efforts to comply with the relevant laws and regulations, we cannot rule out the possibility that we may be subject to investigations or sanctions, which could materially and adversely affect our business, results of operations and financial condition.

The prices of the products offered on the Wanlimu platform are affected by the relevant import duties imposed by the PRC government. If the PRC government raises import duties for luxury products, the products on the Wanlimu platform would become less attractive to consumers, and our business, results of operations and financial condition would be materially and adversely affected.

We have limited experience managing our allowance for loan principal and financing service fee receivables. In addition, our allowance for loan principal and financing service fee receivables is determined based on both objective and subjective factors and may not be adequate to absorb loan losses if we fail to accurately forecast the expected loss.

We face the risk that borrowers fail to repay their principals and financing service fees in full. Estimated credit loss relating to on-balance sheet transactions is recorded as allowance for loan principal and financing

service fee receivables. If we experience higher delinquency rates, such allowance would also increase. See "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources." We have established an evaluation process designed to determine the adequacy of our allowance for loan principal and financing service fee receivables. While this evaluation process uses historical and other objective information, it is also dependent on our subjective assessment based upon our experience and judgment. Actual losses are difficult to forecast, especially if such losses stem from factors beyond our historical experience. We have limited experience managing our allowance for loan principal and financing service fee receivables, especially given the fact that we only commenced our business in early 2014. Furthermore, we shifted our focus of target borrower base from college students to young consumers in general starting from November 2015, and we may not be able to accurately forecast delinquencies of our current target borrower base. Given these challenges, it is possible that we will underestimate or overestimate the allowance for loan principal and financing service fee receivables. In addition, we are not subject to periodic review by bank regulatory agencies of our allowance for loan principal and financing service fee receivables. As a result, if we underestimate the allowance for loan principal and financing service fee receivables, there can be no assurance that our allowance for loan principal and financing service fee receivables will be sufficient to absorb losses or prevent a material adverse effect on our business, financial condition and results of operations. Conversely, if we overestimate the allowance for loan principal and financing service fee receivables, we will record higher provision for loan principal and financing service fee receivables, which will adversely affect our results of operations.

We face intense competition in the online consumer finance industry and, if we do not compete effectively, our results of operations could be harmed.

The online consumer finance industry in China is highly competitive and we compete with other consumer finance service providers, including online consumer finance service providers, such as JD Finance, 360 Finance, WeBank, Huabei and Jiebei, as well as traditional financial institutions, such as banks and consumer finance companies. Our competitors may operate different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to consumer demand and new regulatory, technological and other developments. Some of our current and potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their offerings. Our competitors may also have longer operating history, more extensive borrower bases or funding sources, greater brand recognition and brand loyalty and broader relationships with funding partners or merchandise suppliers than us. Additionally, a current or potential competitor may acquire, or form a strategic alliance with, one or more of our competitors. Our competitors may be better at developing new products, offering more attractive fees, responding more quickly to new technologies and undertaking more extensive and effective marketing campaigns. Furthermore, in light of the low barriers to entry in the online consumer finance industry, more players may enter this market and increase the level of competition. We anticipate that more established Internet, technology and financial services companies that possess large, existing user bases, substantial financial resources and established distribution channels may also enter the market in the future. In response to competition and in order to grow or maintain the amount of transactions facilitated to borrowers, we may have to offer lower amount of financing service fees, which could materially and adversely affect our business 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 credit products could stagnate or substantially decline, which could harm our business and results of operations.

With respect to institutional funding partners, we compete with other investment products and asset classes, such as equities, bonds, investment trust products, insurance products, bank savings accounts and real estate. If a substantial number of our institutional funding partners choose other investment alternatives, our business, financial condition and results of operations could be materially and adversely affected.

We may be required to obtain additional value-added telecommunication business licenses.

PRC regulations impose sanctions for engaging in Internet information services of a commercial nature without having obtained an Internet content provider license, or the ICP license, and sanctions for engaging in the operation of online data processing and transaction processing without having obtained a VATS license for online data processing and transaction processing, or ODPTP license (ICP and ODPTP are both sub-sets of value-added telecommunication business). These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites and mobile apps may be ordered to cease operation. Nevertheless, the interpretation of such regulations and PRC regulatory authorities' enforcement of such regulations in the context of online consumer finance industry remains uncertain, it is unclear whether online consumer finance service provider like us are required to obtain ICP license or ODPTP license, or any other kind of value-added telecommunication business licenses. Beijing Happy Time, Qufenqi Beijing, Xiamen Qudian Culture and Technology Co., Ltd., or Xiamen Qudian Culture and Technology, Xiamen Qudian Technology Co., Ltd., or Xiamen Qudian and Xiamen Qu Plus Plus Technology Development Co., Ltd., or Xiamen Qu Plus Plus, have obtained ICP licenses. We have not obtained any ODPTP license to date. Given the evolving regulatory environment of the consumer finance industry and value-added telecommunication business, we cannot rule out the possibility that the PRC communication administration authority or other government authorities will explicitly require any of our consolidated VIEs or subsidiaries of our consolidated VIEs to obtain ICP licenses, ODPTP licenses or other value-added telecommunication business licenses, or issue new regulatory requirements to institute a new licensing regime for our industry. If such value-added telecommunication business licenses are clearly required in the future, or a new license regime is introduced or new regulatory rules are promulgated, we cannot assure you that we would be able to obtain any required license or other regulatory approvals in a timely manner, or at all, which would subject us to the sanctions described above or other sanctions as stipulated in the new regulatory rules, and materially and adversely affect our business and impede our ability to continue our operations.

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 our initial public offering to make loans to our PRC subsidiaries and our consolidated VIEs, or to make additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds of our initial public offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries, which are treated as foreign- invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their 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 our initial public offering, to our PRC subsidiaries, 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 any of our consolidated VIEs and their subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our consolidated VIEs and their subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our consolidated VIEs and their 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 subsidiaries or any consolidated variable interest entity or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or consolidated VIEs and their 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 our initial public 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.

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 to support the growth of our business. In addition, we issued US$345 million aggregate principal amount of convertible senior notes in July 2019. 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 products and services, further enhancing our risk management capabilities, increasing our marketing expenditures to improve brand awareness and diversify our borrower engagement channels by collaborating with other leading Internet companies, enhancing our operating infrastructure and acquiring complementary businesses and technologies. 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 pay principal and 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 repay 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 stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and

privileges superior to those of holders of our Class A 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, operating results, financial condition and prospects could be adversely affected.

Servicing our debt may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

In July 2019, we issued US$345 million aggregate principal amount of convertible senior notes due 2026. The convertible notes bear interest at a rate of 1.00% per year, payable on July 1 and January 1 of each year, beginning on January 1, 2020. The convertible notes will mature on July 1, 2026, unless earlier redeemed, repurchased or converted in accordance with their terms. As of March 31, 2020, we have repurchased US$137.0 million aggregate principal amount of convertible notes, and the outstanding principal amount was US$208.0 million.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Any harm to our brands or reputation or any damage to the reputation of the online consumer finance industry may materially and adversely affect our business and results of operations.

Enhancing the recognition and reputation of our brands, such as Qudian and Wanlimu, is critical to our business and competitiveness, since this initiative affects our ability to attract and better serve borrowers and institutional funding partners as well as merchandise suppliers. Factors that are vital to this objective include our ability to:

- maintain the effectiveness, quality and reliability of our systems;
- provide borrowers with a superior experience;
- engage a large number of quality borrowers with low delinquency rate;
- enhance and improve our credit assessment model and risk management system;
- enhance the quality of our funding sources;
- effectively manage and resolve borrower complaints; and
- effectively protect personal information and privacy of borrowers.

Any malicious or otherwise negative allegation made by the media or other parties about the foregoing or other aspects of our company, including our management, business, compliance with law, financial condition, prospects or our historical business operations on campuses, such as the ongoing putative shareholder class action lawsuits that we are involved in, whether with merit or not, could severely hurt our reputation and harm our business and results of operations. In addition, certain factors that may adversely affect our reputation are beyond our control. Negative publicity about parties that we collaborate with institutional funding partners, financial service providers that participate on our open platform or other business partners, including negative

publicity about any failure by them to adequately protect the information of their users, to comply with applicable laws and regulations or to otherwise meet required quality and service standards, could also harm our reputation or result in negative perception of the products we offer. Furthermore, any negative development in the online consumer finance industry, such as bankruptcies or failures of other consumer finance service providers, and especially a large number of such bankruptcies or failures, or negative perception of the industry as a whole, such as that arises from any failure of other consumer finance platforms 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 borrowers and to collaborate with and retain institutional funding partners. Negative developments in our industry, such as widespread borrower default, fraudulent behavior and/or the closure of other online consumer finance service providers, may also lead to tightened regulatory scrutiny of the sector and limit the scope of permissible business activities that may be conducted. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

We have entered into agreements with certain celebrities from China's entertainment industry in connection with marketing and advertising activities for the Wanlimu platform. We also engage certain key opinion leaders, or KOLs, on social media platforms in China to promote merchandise from the Wanlimu platform. We have limited control over such celebrities and KOLs, and if they behave inappropriately or unlawfully, our reputation could also be affected, which could in turn have an adverse impact on our business and results of operations. Furthermore, pursuant to our agreements with certain celebrities, we would be liable for damages in the event we breach certain material terms, such as failure to comply with the laws and regulations relating to marketing and advertising. We could face legal claims if any relevant celebrity believes that he or she has suffered reputational damage as a result of his or her cooperation with us.

We incurred net losses in the past and may incur net losses in the future.

We had net losses of RMB40.8 million and RMB233.2 million in the period from April 9 to December 31, 2014 and in 2015, respectively. We had accumulated deficits of RMB5,984.8 million and RMB6,633.7 million as of December 31, 2014 and December 31, 2015, respectively. Although we had net income of RMB576.7 million in 2016, RMB2,164.5 million in 2017, RMB2,491.3 million in 2018 and RMB 3,264.3 million (US$468.9 million) in 2019, we cannot assure you that we will be able to continue to generate net income in the future. In particular, we have faced recent challenges due to regulatory developments in the online consumer finance industry and the outbreak of COVID-19 coronavirus, which may materially and adversely affect our business and results of operations. For further information, see "—We have faced significant challenges recently, and our business, results of operations and financial condition have been adversely affected by these challenges."

In addition, we anticipate that our cost of revenues and operating expenses will increase in the foreseeable future as we continue to grow our business, attract borrowers, institutional funding partners and merchandise suppliers and further enhance and develop our credit products, enhance our risk management capabilities and increase brand recognition. As we aim to ramp up our Wanlimu platform, we expect to incur significant sales and marketing expenses to acquire users. These efforts may prove more costly than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. There are other factors that could negatively affect our financial condition. For example, the delinquency rates of the transactions facilitated may be higher than expected, which may lead to lower than expected revenue, additional expenses and higher provision for loan principal and financing service fee receivables. Furthermore, we have adopted share incentive plans in the past and may adopt new share incentive plans in the future, which have caused, and will result in, significant share-based compensation expenses to us. We generate a material portion of our total revenues from service fees we receive from our loan book business. Any material decrease in our service fees would have a substantial impact on our margin. Furthermore, as a result of the outbreak of COVID-19 coronavirus and the market downturn and their potential impact on our business and results of operations, we may incur net losses in 2020. As a result of the foregoing and other factors, our net income margins may decline or we may incur additional net losses in the future and may not be able to maintain profitability on a quarterly or annual basis.

If our credit products do not achieve sufficient market acceptance or if we are unable to manage the growth of our credit products, our financial condition, results of operations and competitive position will be materially and adversely affected.

We currently offer cash credit products and merchandise credit products under our loan book business. Historically, we had explored and offered other types of credit products to users in China which were discontinued due to limited demand in the market. For example, we launched our budget auto financing business in November 2017, and we started to wind down this business in the second quarter of 2019 to focus on our core consumer finance business. While we intend to broaden the scope of products and services that we offer, there can be no assurance that we will be successful. New credit products must achieve high levels of market acceptance in order for us to balance the default risks associated with such products and to recoup our investment in developing and bringing them to market. Our existing or new products and services could fail to attain sufficient market acceptance for many reasons, including:

- our failure to predict market demand accurately and supply attractive and increasingly personalized credit products at appropriate pricing and amount that meet this demand in a timely fashion;
- borrowers may not like, find useful or agree with any changes made to our platform;
- our existing credit products may cease to be popular among current borrowers or prove to be less attractive to prospective borrowers;
- our failure to offer attractive merchandise on the Qudian marketplace that can be purchased by borrowers through merchandise credit products at competitive amount of financing service fees to meet consumer needs and preferences;
- our failure to assess risk associated with new products and to properly price new and existing products;
- negative publicity about our credit products, our platform or our mobile apps' performance or effectiveness;
- views taken by regulatory authorities that the launch of new credit products and changes to our existing credit products do not comply with PRC laws, rules or regulations applicable to us; and
- the introduction or anticipated introduction of competing offerings by competitors.

If our existing and new products and services do not achieve adequate acceptance in the market, our competitive position, results of operations and financial condition could be harmed.

Furthermore, the introduction of new credit products or the increased utilization of certain credit products over other products may result in material adverse change to our results of operations. For example, borrowers may increase their preference and utilization of our merchandise credit products, which are typically larger in amount with longer terms, over our cash credit products. As small credit products enjoy favorable risk characteristics compared to larger credit products, an increase in the utilization of merchandise credit products over cash credit products by borrowers may result in an increase in delinquency rate for the transactions facilitated by us. Credit products with longer durations may also lead to reduced frequency of transactions by borrowers, which may have a material adverse effect as to the volume and comprehensiveness of the data we collect and analyze and our risk management capabilities.

As we started to wind down our Dabai Auto business, revenues generated from such business would decrease, and we may incur additional costs in relation to the process of winding down such business.

We have started to wind down our budget auto financing business in the second quarter of 2019 to focus on our core consumer finance business. As a result, we expect revenues generated from our Dabai Auto business to further decrease, and we expect our sales and marketing expenses relating to such business will decrease as we close down our show rooms. Sales income in relation to Dabai Auto business was RMB26.1 million, RMB2,174.8 million and RMB411.4 million (US$59.1 million) in 2017, 2018 and 2019, respectively.

In addition, we may incur additional costs relating to the process of winding down our Dabai Auto business, such as expenses relating to, the closure of our showrooms. As of December 31, 2019, we carried finance lease receivable of RMB638.0 million (US$91.6 million). The decrease in revenues generated from our Dabai Auto business, the additional costs that may be incurred and any further write-down that may be recorded during the process of winding down such business may adversely affect our business, financial condition and results of operations.

Credit analysis and other information that we receive from other parties concerning a prospective borrower may be inaccurate or may not accurately reflect such prospective borrower's creditworthiness, which may compromise the accuracy of our credit assessment.

For the purpose of credit assessment and pricing, we obtain prospective borrower's credit analysis and other information from them as well as, with their authorization, from external parties, and assess applicants' creditworthiness based on such information. Such external party's credit assessment system may still be at a development stage and therefore have limitations in measuring borrowers' creditworthiness. We have experienced instances where credit analysis information provided by an external party was not fully predictive of actual delinquency rates. Therefore, we do not rely on inputs from one or only a few external parties. Instead, we use inputs from many external parties for our credit assessment model to enhance our risk management capabilities. As the credit assessment methodologies of external parties are not disclosed to us, we may not have adequate knowledge of the assumptions behind their credit analysis, which could cause our model to produce inaccurate results. In addition, if there is an adverse change in the economic condition, credit analysis information provided by external parties may not be a reliable reference to assess an applicant's creditworthiness, which may compromise our risk management capabilities. As a result, our assessment of a borrower's credit profile may not reflect that particular borrower's actual creditworthiness because assessment may be based on outdated, incomplete or inaccurate information. In addition, the completeness and reliability of information on borrower's credit risk available in the PRC is relatively limited. The PBOC has developed and put into use a credit reference center which remains relatively underdeveloped. The information available to us and external parties from whom we obtain information for our credit assessment model is limited. We also currently do not have a comprehensive way to determine whether prospective borrowers have obtained loans through other consumer finance platforms, creating the risk whereby a borrower may utilize our credit products in order to pay off loans from other sources. There is also a risk that, following our obtaining a borrower's information, the borrower may have:

- become delinquent in the payment of an outstanding obligation;
- defaulted on a pre-existing debt obligation;
- taken on additional debt; or
- sustained other adverse financial events.

Such inaccurate or incomplete borrower credit analysis and other information could compromise the accuracy of our credit assessment and adversely affect the effectiveness of our control over our delinquency rates. We may not be able to recoup funds underlying transactions made in connection with inaccurate or incomplete borrower credit information, in which case our results of operations will be harmed.

Erroneous reports with respect to certain of our users have been sent to the credit reference center of the PBOC, which may result in reputational damage to us.

Some of our institutional funding partners report delinquencies of our users to the credit reference center of the PBOC, which adversely affect such users' abilities to obtain loans in the future. Due to errors in our interfaces with certain institutional funding partners, we failed to inform such institutional funding partners about repayments made by certain of our users. As a result, such institutional funding partners believed that the users were delinquent on loan repayments and therefore made erroneous reports to the credit reference center of the

PBOC. Neither we nor the institutional funding partners are subject to legal liabilities if the institutional funding partners timely inform the PBOC about the errors after receiving complaints from the borrowers.

As isolated incidents, the erroneous reports have not resulted in any material adverse effect on our business. To avoid future errors, we have started to request our institutional funding partners to compare their records of delinquent borrowers with ours. However, there can be no assurance that our institutional funding partners will agree with the measure we proposed or that such measure will be effective in preventing errors. If additional erroneous reports were made to the PBOC in the future, we may suffer reputational damage due to the negative publicity, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks associated with other parties with which we collaborate. If such other parties fail to perform or provide reliable or satisfactory services, our business, financial condition and results of operations may be materially and adversely affected.

We collaborate with certain other parties in providing our credit products to borrowers. Such other parties include our institutional funding partners, third-party financial service providers that participate on our open platform, our cloud computing service provider and merchandise suppliers. These parties may not be able sufficiently or timely fund credit that we facilitate or provide satisfactory merchandise and services to us and/or borrowers on commercially acceptable terms or at all. Any failure by these parties to continue with good business operations, comply with applicable laws and regulations or any negative publicity on these parties could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. Also, if we fail to retain existing or attract new quality parties to collaborate with, our ability to retain existing borrowers, engage prospective borrowers may be severely limited, which may have a material and adverse effect on our business, financial condition and results of operations. In addition, certain of these other parties that we collaborate with have access to our user data to a limited extent in order to provide their services. If these other parties engage in activities that are negligent, illegal or otherwise harmful to the trustworthiness and security of our products or system, including the leak or negligent use of data, or users are otherwise dissatisfied with their service quality, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us.

Fraudulent activity could negatively impact our results of operations, brand and reputation and cause the use of our credit products and services to decrease.

We are subject to the risk of fraudulent activity associated with borrowers and parties handling user information. Our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. For example, we currently do not have a comprehensive way to determine whether prospective borrowers have obtained loans through other consumer finance platforms, creating the risk whereby a borrower may borrow money through us in order to pay off loans from other sources. Even if we identify a fraudulent borrower and reject his or her credit application, such borrower may re-apply by using fraudulent information. We may fail to identify such behavior, despite our measures to verify personal identification information provided by borrowers. Furthermore, we may not be able to recoup funds underlying transactions made in connection with fraudulent activities. A significant increase in fraudulent activities could negatively impact our brands and reputation, discourage institutional funding partners from collaborating with us, reduce the amount of transactions facilitated to borrowers and lead us to take additional steps to reduce fraud risk, which could increase our costs. 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. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, we cannot rule out the possibility that fraudulent activities may materially and adversely affect our business, financial condition and results of operations in the future.

We rely on institutional funding partners to fund credit drawdowns to borrowers, which may constitute provision of intermediary service, and our agreements with these institutional funding partners and borrowers may be deemed as intermediation contracts under the PRC Contract Law.

Under the PRC Contract Law, 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. See "Item 4. Information on the Company — B. Business Overview — Regulations — Regulations related to Loans and Intermediation." Therefore, if we fail to provide material information to institutional funding partners, or if we fail to identify false information received from borrowers or others and in turn provide such information to institutional funding partners, 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 supervision of our employees, or to accurately detect and prevent fraud due to ineffectiveness of our fraud detection tools, we could be held liable for damages caused to institutional funding partners as an intermediary pursuant to the PRC Contract Law. In addition, if we fail to complete our obligations under the agreements with institutional funding partners and borrowers, we could also be held liable for damages caused to borrowers or institutional funding partners pursuant to the PRC Contract Law. On the other hand, we do not assume any liability solely on the basis of failure to correctly assign a credit limit to a particular borrower in the process of facilitating transactions, as long as we do not conceal any material fact intentionally or provide false information, and are not found to be at fault otherwise. However, due to the lack of detailed regulations and guidance in the area of online consumer finance platforms and the possibility that the PRC government authority may promulgate new laws and regulations regulating online consumer finance platforms in the future, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations for the online consumer finance industry, and there can be no assurance that the PRC government authority will ultimately take a view that is consistent with ours.

Fluctuations in interest rates could negatively affect the amount of transactions facilitated by us and cost of capital for funds provided to borrowers.

All credit facilitated by us have fixed financing service fees. If prevailing market interest rates rise, our cost of capital for funds will increase, which may force us to increase the financing service fees we charge for on-balance sheet transactions. If our borrowers decide not to utilize our credit products because of such an increase in financing service fees, our ability to retain existing borrowers, attract or engage prospective borrowers as well as our competitive position may be severely limited. We cannot assure you that we will be able to effectively manage such interest risk at all times or pass on any increase in interest rate to our borrowers. If we are unable to effectively manage such an increase, our business, profitability, results of operations and financial condition could be materially and adversely affected. If prevailing market interest rates decrease and we fail to adjust the amount of financing service fees we charge for on-balance sheet transactions accordingly, prospective borrowers may take advantage of the lower funding cost offered by other parties. As a result, any fluctuation in the interest rate environment may discourage borrowers from making credit applications from us or utilize their approved credit, which may adversely affect our business.

If we are unable to provide a high quality borrower experience, our business and reputation may be materially and adversely affected.

The success of our business largely depends on our ability to provide high quality borrower experience, which in turn depends on a variety of factors. These factors include our ability to continue to offer credit products at competitive amount of financing service fees and adequate credit limits, reliable and user-friendly website interface and mobile apps for borrowers to browse, apply for credit, and purchase merchandise, and further improve our online credit approval process, source merchandise sold on the Qudian marketplace to respond to borrower's demands and preferences, and maintain collection practices that are in strict compliance with applicable laws. If borrowers are not satisfied with our credit products, the merchandise sold on the Qudian

marketplace or our services, or our system is severely interrupted or otherwise fail to meet the borrowers' requests, our reputation and borrower loyalty could be adversely affected.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including the levels of our total revenues, cost of revenues and operating expenses, net 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 borrowers and maintain relationships with existing borrowers;
- the amount of transactions;
- the mix of products we offer;
- delinquency rates of transactions we facilitate;
- the amount and timing of cost of revenues and operating expenses related to acquiring borrowers and the maintenance and expansion of our business, operations and infrastructure;
- our ability to establish relationship with additional institutional funding partners and maintain relationships with existing institutional funding partners;
- our ability to secure funding for credit we facilitate on reasonable terms;
- our emphasis on borrower experience instead of near-term growth;
- the timing of expenses related to the development or acquisition of technologies or businesses;
- network outages or security breaches;
- general economic, industry and market conditions; and
- changes in applicable laws and regulations.

In addition, we experience seasonality in our business, reflecting a combination of seasonality patterns of the retail market and our promotional activities. In recent years, many online and offline retailers in China hold promotions on November 11 and December 12 of each year, which drives significant increase in retail sales. Higher retail sales during the shopping seasons may generate greater demand for our credit products. As a result, we typically record higher total revenues during the fourth quarter of each year compared to other quarters. On the other hand, our total revenues for the first quarter tend to be lower due to the Chinese New Year holiday that generally reduces borrowing activities. In addition, we hold promotional campaigns on March 21 (our anniversary), November 11 and December 12 by offering lower amount of financing service fees, which may also increase the number of borrowers who utilize our credit products and thus increase our total revenues for the relevant periods. On the other hand, lower financing service fee amount may decrease our margin for the relevant periods. Due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

Furthermore, we have commenced construction of our innovation park in Xiamen, Fujian Province, and the construction is expected to be completed in 2021. If the costs and expenses incurred for the construction exceed our planned limits, our financial results may be negatively affected.

Uncertainties relating to the growth of the retail industry in China in general, and the online retail industry in particular, could adversely affect revenues from our cash and merchandise credit products and our business prospects.

We generate a substantial portion of our revenue from the provision of both cash and merchandise credit products which we believe are mainly used for day-to-day discretionary consumption purposes. As a result, our cash and merchandise credit products businesses are affected by the development of the retail industry, and in particular the online retail industry, in China. The long-term viability and prospects of various online retail business models in China remain relatively untested. As such, demand for our credit products and our future results of operations will depend on numerous factors affecting the development of the online retail industry in China, which may be beyond our control. These factors include:

- the growth of Internet, broadband, personal computer and mobile penetration and usage in China, and the rate of any such growth;
- the trust and confidence level of online retail and mobile commerce consumers, including our users, in China, as well as changes in borrower demographics and consumer tastes and preferences;
- the selection, price and popularity of merchandise that we and our competitors offer online;
- whether alternative retail channels or business models that better address the needs of consumers emerge in China; and
- the development of fulfillment, payment and other ancillary services associated with retail and mobile commerce purchases.

A decline in the popularity of online shopping in general, especially through the use of credit products, or any failure by us to adapt the Qudian marketplace and improve the online shopping experience of our users in response to trends and user requirements, may adversely affect our results of operations and business prospects.

Our success and future growth depend significantly on our successful marketing efforts, and if we are unable to promote and maintain our brands in an effective and cost-efficient way, our business and financial results may be harmed.

We believe that developing and maintaining awareness of our brands effectively is critical to attracting new and retaining existing borrowers. Successful promotion of our brands and our ability to attract quality borrowers depend largely on the effectiveness of our marketing efforts and the success of the channels we use to promote our brands and credit products. Our efforts to build our brands may cause us to incur significant expenses. These efforts may not result in increased revenue in the immediate future or at all and, even if they do, any increases in revenue may not offset the expenses incurred. If we fail to successfully promote and maintain our brands while incurring substantial expenses, our results of operations and financial condition would be adversely affected, which may impair our ability to grow our business.

Our business and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our business and internal systems rely on software that is highly technical and complex. In addition, our business and internal systems depend on the ability of such software to store, retrieve, process and manage large amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for users, delay introductions of new features or enhancements, result in errors or compromise our ability to protect user data or our intellectual property, or affect the accuracy of our operating data. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of users, liability for damages, any of which could adversely affect our business, financial condition and results of operations.

Any significant disruption in our information technology systems, including events beyond our control, could prevent us from offering our products, thereby reduce the attractiveness of our products and result in a loss of borrowers or institutional funding partners.

In the event of a system outage and physical data loss, our ability to provide credit products 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 borrowers and institutional funding partners. Our information technology systems infrastructure is currently deployed and our data is currently maintained on customized cloud computing services in China. Our operations depend on the service provider's ability to protect its and our systems in its facilities 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. Since the launch of our business, we had experienced one system outage during the holiday seasons in China due to competition for available cloud computing services provided by our service provider and we cannot assure you that such incidents will not occur in the future. Moreover, if our arrangement with this service provider is terminated or if there is a lapse of service or damage to their facilities, we could experience interruptions in our service as well as delays and additional expense in arranging new credit for borrowers.

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 borrowers and institutional funding partners and our reputation. Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. We also may not have sufficient capacity to recover all data and services 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 borrowers and institutional funding partners to abandon our credit products, any of which could adversely affect our business, financial condition and results of operations.

Misconduct and errors by our employees and 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 parties that we collaborate with. Our business depends on our employees and/or business partners to interact with users, process large numbers of transactions, deliver merchandise purchased by borrowers, providing user and after-sale product services and support the collection process, all of which involve the use and disclosure of personal information. We could be materially and adversely affected if transactions were redirected, misappropriated or otherwise 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 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 business partners take, convert or misuse funds, documents or data or fail to follow our rules and procedures when interacting with users, we could be liable for damages and subject to regulatory actions and penalties. Any future allegations of employee misconduct, whether perceived or actual, could materially and adversely affect our reputation and business. 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 users, inability to attract users, reputational damage, regulatory intervention and financial harm, which could negatively impact our business, financial condition and results of operations.

If we are unable to protect the confidential information of our users 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 our users, 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 user 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 users could be severely damaged, we could incur significant liability and our business and operations could be adversely affected. For example, there have been media reports alleging that former employees of our company have misappropriated and sold borrower data. We are not aware of any former employee who has been identified by law enforcement authorities to have engaged in such misconduct, and we do not believe such allegations have had a material impact on our business. However, future allegations of data breaches, whether perceived or actual, could materially and adversely affect our reputation and business.

In addition, PRC government authorities have enacted a series of laws and regulations in regard of the protection of personal information, under which internet service providers and other network operators 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 have obtained the consents from our users 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. However, 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. We cannot assure you that our existing user 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.

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

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the NYSE. 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, 2018, 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, beginning at the same time, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

As of December 31, 2019, our management has concluded that our internal control over financial reporting is effective. See “Item 15. Controls and Procedures — Management’s Annual Report on Internal Control over Financial Reporting.” Our independent registered public accounting firm has issued a report, which has concluded that we maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019.

However, our internal control over financial reporting may not prevent or detect all errors and all fraud for a variety of reasons. Among others, we are based in China, an emerging market where the overall internal control environment may not be as strong as in more established markets. In addition, 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 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 trading price of our ADSs could decline and we could be subject to sanctions or investigations by the NYSE, SEC or other regulatory authorities.

We may not be able to prevent others from unauthorized use of our intellectual property, 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 "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations Related to Intellectual Property Rights." However, we cannot assure you 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 damages. Because of the rapid pace of technological change, nor can we assure you that all of our proprietary technologies and similar intellectual property will be patented in a timely or cost-effective manner, or at all. Furthermore, parts of our business rely on technologies developed or licensed by other parties, or co-developed with other parties, 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. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. 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.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

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 credit products or other aspects of our business without our awareness. Holders of such intellectual property

rights may seek to enforce such intellectual property rights against us in China, the United States 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.

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 we cannot assure you 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 may incur liability for merchandise sold on the Qudian marketplace that are without or have yet to receive proper authorization, infringe on other parties' intellectual property rights, or fail to comply with related permits or filing requirements.

We currently collaborate with more than 200 merchandise suppliers, including leading brands and their authorized distributors for our merchandise credit product business. Although we have adopted measures to verify the authenticity and authorization of merchandise offered on the Qudian marketplace and avoid potential infringement of any rights of other parties in the course of sourcing these merchandise, we may not always be successful. In the event that counterfeit, unauthorized or infringing merchandise is sold on our mobile apps or infringing content is posted on our websites, we could face claims that we should be held liable. We had in the past received a few claims alleging that merchandise sold on the Qudian marketplace infringed on other parties' rights and had worked with the relevant merchandise suppliers for product return and exchange of such merchandise. Although these claims have been immaterial to our business, results of operations and financial condition, if any material claim occurs in the future, irrespective of the validity of such claims, we may incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant merchandise. Potential liability under PRC law if we negligently participated or assisted in infringement activities associated with counterfeit goods includes injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

We may be required to segregate our own assets from those assets of the institutional funding partners and borrowers.

Pursuant to the Circular of the General Office of the PRC State Council on Issuing the Implementing Proposals for the Special Rectification of Internet Financial Risks adopted in April 2016, online finance institutions are required to segregate assets of the institutional funding partners and borrowers in a custodian bank from their own assets. However, there is uncertainty as to the implementation of such regulations, and the scope of online finance institutions which are subject to such assets segregation liabilities remains unclear. In addition, commercial banks in the PRC currently only provide custodian services to online lending information intermediary institutions as defined under the Interim Online Lending Information Intermediary Measures. We do not consider ourselves as an online lending information intermediary institution as defined under the Interim Online Lending Information Intermediary Measures, and we currently do not engage commercial banks in the PRC to provide such custodian services to us. We use our best efforts to separate our own assets from those assets of the institutional funding partners to whom we transfer credit drawdowns by setting up separate bank accounts to monitor the assets of such institutional funding partners. However, since such bank accounts are still under our names and all the assets are therefore considered to be owned by us from a PRC legal perspective, if any person enforces a judgment against our assets, the assets of the institutional funding partners and borrowers will be enforced against as well. In addition, if we are deemed as an online lending information intermediary

institution by the applicable regulatory authorities under the Interim Online Lending Information Intermediary Measures in the future, we may be subject to regulatory measures, such as warnings, fines and other measures permitted under the law, for our current practices.

Any failure by us, institutional funding partners or payment processors 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 our institutional funding partners and payment processors, in particular online payment companies that handle the transfer of funds from institutional funding partners to us and the borrowers, to have their own appropriate anti- money laundering policies and procedures. Certain of our institutional funding partners and online payment companies 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 our institutional funding partners and payment processors.

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, any of our institutional funding partners, or payment processors 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, our institutional funding partners and payment processors comply with the applicable anti-money laundering laws and regulations, we, institutional funding partners and payment processors may not be able to fully eliminate money laundering and other illegal or improper activities in light of the complexity and the secrecy of these activities. Any negative perception of the industry, such as that arises from any failure of other online consumer finance 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.

The Internet Finance Guidelines 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 cannot assure you that the anti-money laundering policies and procedures we have adopted will be deemed to be in compliance with applicable anti-money laundering implementing rules if and when adopted.

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 credit products and better serve borrowers and enhance our competitive position.

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;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organizations;
- difficulties in retaining relationships with borrowers, institutional funding partners, merchandise suppliers, 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.

We may not make any investments or acquisitions, or 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.

From time to time we may also make financial investments, such as investments in equity securities of other companies, and there can be no assurance that we will be able to realize profits from such investments. We may also engage in corporate restructuring in order to facilitate capital raising and/or incubate new businesses. However, we may fail to obtain such intended benefits.

We may continue to repurchase our shares, and such repurchases may be at prices that exceed the trading price of our ADSs. We cannot guarantee that our share repurchase program will enhance long-term shareholder value, and it may fail to deliver the intended benefits.

We announced a share repurchase program approved by our board of directors in November 2017, under which we may repurchase up to US$300 million worth of our outstanding ADSs/or ordinary shares over a period of twelve months. We further announced a share repurchase program in December 2018, under which we may repurchase up to US$300 million worth of our outstanding ADSs/or ordinary shares over a period of twelve

months, in addition to any further repurchases that may be made under the program announced in November 2017. In January 2020, we announced a new share repurchase program, under which we may repurchase up to US$500 million worth of our outstanding ADSs/or ordinary shares over a period of 30 months. Under the new share repurchase program, we are authorized to repurchase our ADSs and/or ordinary shares on the open market from time to time, in privately negotiated transactions, tender offers or any combination thereof. Our management is authorized to determine the terms and conditions relating to the program, including, among others, the quantity, timing, price and purpose of share repurchases.

In the future, we plan to continue to make share repurchases, and such repurchases may be at prices that differ from the trading price of our ADSs. For example, upon obtaining approval from our board of directors, we purchased all 18,173,885 of our Class A ordinary shares then held by Kunlun Group Limited, or Kunlun, at a premium to the then prevailing trading price of our ADSs on April 29, 2019. While we believe our share repurchases in the past helped us stabilize share price and promote shareholders' interests, there can be no assurance that we will achieve the intended benefit of any future share repurchase to enhance value to shareholders.

Our business depends on the continued efforts of our senior management. If one or more of our key executives 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 annual report. In particular, Mr. Min Luo, our founder, chairman and chief executive officer, is critical to the management of our business and operations and the development of our strategic direction. While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more of our key executives 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. 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.

Competition for employees is intense, and we may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts and talent of our employees, including technology and product development, risk management, operation management 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 technical, risk management, operation management and financial 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 we have and may be able to offer more attractive terms of employment.

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 borrowers and investors could diminish, resulting in a material adverse effect to our business.

Increases in labor costs in the PRC may adversely affect our business and results of operations.

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, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. 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.

We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the merchandise and services offered on the Qudian marketplace.

The Qudian marketplace allows consumers to buy merchandise from third-party merchandise suppliers, and some of such merchandise may be defectively designed or manufactured. Operators of online marketplaces in the PRC are subject to certain provisions of consumer protection laws even where the operator is not the supplier of the product or service purchased by the consumer. As a result, sales of defective merchandise could expose us to product liability claims relating to personal injury or property damage or other actions. In addition, if we do not take appropriate remedial action against merchandise suppliers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable with the merchandise suppliers for such infringement. Moreover, applicable consumer protection laws in China provide that trading platforms will be held liable for failing to meet any undertakings that the platforms make to consumers with regard to merchandise listed on their websites or mobile apps. Furthermore, we are required to report to the State Administration of Industry and Commerce, or the SAIC, or its local branches any violation of applicable laws, regulations or SAIC rules by merchandise suppliers or service providers, such as sales of goods without proper license or authorization, and to take appropriate remedial measures, including ceasing to provide services to the relevant merchandise suppliers. We may also be held jointly liable with merchandise suppliers who do not possess the proper licenses or authorizations to sell goods or sell goods that do not meet product standards. Some of the products sold on the Wanlimu platform may be defectively designed or manufactured. Sales of such products could expose us to liability associated with consumer protection laws, such as product liability claims relating to personal injury or property damage or other actions. In addition, we may face activist litigation in China by plaintiffs claiming damages based on consumer protection laws, which may result in increased costs in defending such suits and damages should we not prevail, which could materially and adversely affect our reputation and brands and our results of operations. We do not maintain product liability insurance for merchandise offered on the Qudian marketplace or the Wanlimu platform, and our rights of indemnity from our merchandise suppliers may not adequately cover us for any liability we may incur. Even unsuccessful claims could result in the expenditure of funds and management time and resources and could materially reduce our net income and profitability.

Under our standard form agreements, we require merchandise suppliers to indemnify us for any losses we suffer or any costs that we incur due to any merchandise offered by these merchandise suppliers. However, not all of our agreements with merchandise suppliers include such terms, and for those agreements that include such terms, we may not be able to successfully enforce our contractual rights and may need to initiate costly and lengthy legal proceedings in China to protect our rights.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus that contribute to the success of our business.

We believe that a critical component of our success is our corporate culture, which we believe cultivates efficiency, fosters innovation, encourages teamwork and embraces changes and development. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We do not have any business 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 any 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 results of operations and financial condition.

We may be adversely affected by political tensions between the United States and China.

There have been rising tensions between the United States and China in recent years. The U.S. administration under President Donald J. Trump has advocated for significant increases on tariffs on goods imported into the U.S., particularly those from China. For example, in 2018 the United States announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US$250 billion, and in May 2019 the United States increased from 10% to 25% the rate of certain tariffs previously levied on Chinese products. Beginning in September 2019, China and the U.S. resumed trade negotiations. Despite such negotiations, political tensions between the United States and China may further intensify, and the U.S. government may adopt even more drastic measures in the future.

If the relationship between the two countries further deteriorates, the United States may adopt legal or regulatory restrictions targeting China-based companies that are listed in the U.S. For example, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges of issuers included on the SEC's list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor concerns for affected issuers, including us, and the market price of our ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted. Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting laws and/or regulations may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

A severe or prolonged downturn in the Chinese or global economy could affect borrowers' willingness to seek credit and institutional funding partners' ability and willingness to fund credit drawdowns facilitated by us, which could materially and adversely affect our business and financial condition.

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, results of operations and financial condition. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect borrowers' willingness to seek credit and institutional funding partners' ability and willingness to fund credit drawdowns facilitated by us. Economic conditions in China are sensitive to global economic conditions. The outbreak of COVID-19 coronavirus in 2020 has resulted in declines in economic activities in China and other parts of the world and raised concerns about the prospects of the global economy. As of the date of this annual report, we are unable to assess the full impact of the outbreak on our business, result of operations and financial condition. In addition, 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 United States 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 about the economic effect of the tensions in the relationship between China and surrounding Asian countries, as well as trade tensions between China and the United States. If present Chinese and global economic uncertainties persist, we may have difficulty in obtaining funding sources to fund the credit utilized by borrowers. Adverse economic conditions could also reduce the number of quality borrowers seeking credit from us, as well as their ability to make payments. Should any of these situations occur, the amount of transactions facilitated to borrowers 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.

Borrower growth and activity on mobile devices depends upon effective use of mobile operating system, networks and standards, which we do not control.

Our credit products are offered through mobile apps. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these new devices and platforms, and we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operations could suffer if we experience difficulties in the future in integrating our credit products into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile app stores, or if we face increased costs to distribute or have users utilize our credit products on mobile devices. We are further dependent on the interoperability of providing our credit products on popular mobile operating systems that we do not control, such as iOS and Android, and any changes in such systems that degrade the accessibility of our credit products or give preferential treatment to competing products could adversely affect the usability of our credit products on mobile devices. In the event that it is more difficult for our users to access and utilize our credit products on their mobile devices, or if our users choose not to access or utilize our credit products on their mobile devices or to use mobile operating systems that do not offer access to our credit products, our user growth could be harmed and our business, financial condition and operating results may be adversely affected.

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 MIIT. Our systems infrastructure is currently deployed and our data is currently maintained on customized cloud computing services. Our cloud computing service provider may rely on a limited number of telecommunication service providers to provide it with data communications capacity through local telecommunications lines and Internet data centers to host its servers. 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 increasing traffic. We cannot assure you that our cloud computing service provider 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 utilizing customized cloud computing services. If the prices we pay for customized cloud computing services rise significantly, our results of operations may be adversely affected. Furthermore, if Internet access fees or other charges to Internet users increase, our user traffic may decline and our business may be harmed.

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 credit products.

The outbreak of COVID-19 coronavirus in 2020 is expected to materially and adversely affect our business, results of operations and financial condition. 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 COVID-19 coronavirus, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic, 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 Related to Our Corporate Structure

If the PRC government deems that the contractual arrangements in relation to our consolidated VIEs 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.

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 not allowed to own more than a 50% equity interest in any PRC company engaging in value-added telecommunications businesses, with certain exceptions relating to e-commerce, domestic multi-party, communication, store-and-forward and call center. 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-owned PRC subsidiary, Ganzhou Qufenqi and Xiamen Youxiang Times Technology Co., Ltd., or Xiamen Youxiang, are foreign-invested enterprises, or FIEs. To comply with PRC laws and regulations, we conduct our business in China through our consolidated VIEs and their affiliates. Ganzhou Qufenqi and Xiamen Youxiang have entered into a series of contractual arrangements with the applicable consolidated VIEs and their shareholders. In addition, pursuant to the resolutions of all shareholders of Qudian Inc. and the resolutions of the board of directors of Qudian Inc., the board of directors of Qudian Inc. or any officer authorized by such board shall cause Ganzhou Qufenqi and Xiamen Youxiang to exercise their rights under the applicable power of attorney agreements entered into among Ganzhou Qufenqi or Xiamen Youxiang, the applicable consolidated VIEs and the nominee shareholders of the applicable consolidated VIEs and the rights of Ganzhou Qufenqi and Xiamen Youxiang under the applicable exclusive call option agreements between Ganzhou Qufenqi or Xiamen Youxiang, as applicable and the applicable consolidated VIEs. As a result of these resolutions and the provision of unlimited financial support from the Company to each of our consolidated VIEs, Qudian Inc. has been determined to be most closely associated with each of our consolidated VIEs within the group of related parties and was considered to be the primary beneficiary of each of our consolidated VIEs and its subsidiaries.

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. Our PRC legal counsel, 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 VIEs and their shareholders is valid, binding and enforceable in accordance with its terms. However, as 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 Ministry of Commerce, or the MOFCOM, or the MIIT, or other authorities that regulate online consumer finance platforms 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 VIEs 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 PRC consolidated VIEs' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, the Law of Foreign Investment of the PRC and its implementation regulations have become effectives since January 1, 2020. Under the Law of Foreign Investment of the PRC and its implementation regulations, VIEs that are controlled via contractual arrangement would not be absolutely deemed as Foreign-Invested Enterprises, or FIEs. Therefore, the current legal status of Contractual Arrangement as a whole and each of the agreements comprising the Contractual Arrangement will not be materially affected by the Law of Foreign Investment of the PRC and its implementation regulations. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. See "— Substantial uncertainties exist with respect to how the 2019 Law of Foreign Investment (including its implementation regulations) may affect our current corporate structure, corporate governance and 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 VIEs or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of such VIEs 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 subsidiaries in China or our consolidated VIEs or their subsidiaries. See "Item 4. Information on the Company — B. Business Overview — Overview — Our Contractual Arrangements with Consolidated VIEs and Their Shareholders."

Our contractual arrangements with our consolidated VIEs may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our consolidated VIEs were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our consolidated VIEs without

reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our consolidated VIEs for underpaid taxes; or (ii) limiting the ability of our consolidated VIEs to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with our consolidated VIEs and their 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 VIEs and their shareholders to operate our business. For a description of these contractual arrangements, see "Item 4. Information on the Company — B. Business Overview — Overview — Our Contractual Arrangements with Consolidated VIEs and Their Shareholders." All of our revenue are attributed to our consolidated VIEs. These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIEs. If our consolidated VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by our consolidated VIEs 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 VIEs, 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 United States. 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 VIEs, 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."

Ganzhou Qudian Technology Co., Ltd., or Ganzhou Qudian, Hunan Qudian Technology Development Co., Ltd., or Hunan Qudian, and Xiamen Qudian became our consolidated VIEs in 2017. Xiamen Weipujia Technology Co., Ltd., or Xiamen Weipujia, also became our consolidated VIE in 2018. Xiamen Qu Plus Plus also became our consolidated VIE in 2019. Min Luo, our founder, chairman and chief executive officer, and Mr. Lianzhu Lv, our head of user experience department, are the only shareholders of Ganzhou Qudian, and Mr. Min Luo and Mr. Hongjia He, our vice president, are the only shareholders of Hunan Qudian. Mr. Min Luo is the only shareholder of Xiamen Qudian. Mr. Min Luo and Mr. Hongjia He are the only shareholders of Xiamen Weipujia. Mr. Min Luo and Mr. Long Xu are the only shareholders of Xiamen Qu Plus Plus. We believe such shareholding structure will enhance our administrative efficiency and reduce uncertainties associated with the enforcement of the relevant contractual arrangements entered into with the new consolidated VIEs and their respective shareholder(s). Instead of relying on several shareholders' compliance with their respective contractual obligations, we will only rely on one or two shareholders' compliance for each new consolidated VIE and would only need to enforce against such shareholder(s) in the event of a breach. However, there can be no assurance that the shareholding structure of the new consolidated VIEs will deliver the expected benefits. If any of the shareholders of the new consolidated VIEs breaches his obligations under the applicable contractual arrangements, our business, financial condition and results and operations could be materially and adversely affected.

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

In connection with our operations in China, we rely on the shareholders of our consolidated VIEs to abide by the obligations under such contractual arrangements. The interests of these shareholders in their individual capacities as the shareholders of our consolidated VIEs may differ from the interests of our company as a whole, as what is in the best interests of our consolidated VIEs, 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 individuals will act in the best interests of our company or those conflicts of interest will be resolved in our favor. In addition, these individuals may breach or cause our consolidated VIEs and their 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 VIEs 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 call option agreement to cause them to transfer all of their equity ownership in our consolidated VIEs 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 VIEs as provided under the power of attorney agreements, directly appoint new directors of our consolidated VIEs. We rely on the shareholders of our consolidated VIEs 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 VIEs, 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.

Our corporate actions will be substantially controlled by our founder, chairman and chief executive officer, Mr. Min Luo, 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.

Mr. Min Luo, our founder, chairman of the board and chief executive officer, beneficially owns all the Class B ordinary shares issued and outstanding, representing 76.9% of our aggregate voting power as of March 31, 2020. As a result, Mr. Min Luo has 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.

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 such as the leases and sales 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 subsidiaries and consolidated VIEs 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 subsidiaries and consolidated VIEs 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 subsidiaries and consolidated VIEs, 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 subsidiaries and consolidated VIEs 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 how the 2019 Law of Foreign Investment (including its implementation regulations) may affect our current corporate structure, corporate governance and business and financial condition.

On March 15, 2019, the Standing Committee of the National People's Congress promulgated the Law of Foreign Investment of the PRC, or the 2019 Law of Foreign Investment, which became effective on January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Law of Foreign Investment of the PRC, which came into effect on January 1, 2020. The 2019 Law of Foreign Investment and its implementation regulations replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The 2019 Law of Foreign Investment stipulates four forms of foreign investment, namely, (1) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China;

(2) a foreign investor acquires stock shares, equity shares, interests in assets, or other like rights and interests of an enterprise within China; (3) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (4) foreign investments in other forms as provided by law, administrative regulations, or by the State Council.

The contractual arrangements have been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. As mentioned above, the 2019 Law of Foreign Investment and its implementation regulations do not mention concepts including "de facto control" and "controlling through contractual arrangements," nor does it specify the regulation on controlling through contractual arrangements. Specifically, it does not incorporate contractual arrangements as a form of foreign investment, the contractual arrangements as a whole and each of the arrangements comprising the contractual arrangements will not be materially affected and will continue to be legal, valid and binding on the parties.

However, the 2019 Law of Foreign Investment stipulates that "foreign investment includes foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council," which means there are possibilities that future laws, administrative regulations or provisions of State Council may stipulate contractual arrangements as a way of foreign investment and our contractual arrangements would be regarded as foreign investment correspondingly. If that is the case, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how our contractual arrangements will be handled are subject to uncertainties.

Therefore, there is no guarantee that the contractual arrangements and the business of our Consolidated VIEs will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions timely, or at all.

Risks Related 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, and 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 subsidiaries and consolidated VIEs 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.

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.

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." 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. Min Luo has completed the SAFE registration pursuant to SAFE Circular 75 in 2014. We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation. 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 share incentive plans 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 share 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 have been 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 became an overseas listed company since the completion of our initial public offering, we and our directors, executive officers and other employees who are PRC residents and who have been granted options have been 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 continue to make efforts to comply with these requirements. 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 share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share 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.

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 VIEs, 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 VIEs 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 December 31, 2019. In addition, registered share 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 VIEs 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 payable to our foreign investors and gains on the sale of our ADSs or Class A 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 payable 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. Similarly, any gain realized on the transfer of ADSs or Class A ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, 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 Class A ordinary shares or ADSs, and any gain realized from the transfer of our Class A 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 payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or Class A ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. 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 Class A 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 payable to our non-PRC investors, or gains from the transfer of our ADSs or Class A 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 Class A 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, or the SAT, 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 Bulletin 7, an "indirect transfer" of assets, including 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 SAT issued the

Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37, which was revised on June 15, 2018, to completely repeal SAT Circular 698 and the second paragraph of Section 8 of Bulletin 7. According to SAT Circular 37, the amount of taxable income equals the remainder after deducting the net equity value from the equity transfer income. Equity transfer income means the consideration collected by the transferor from the equity transfer, including income in both monetary form and non-monetary form. Net equity value means the tax basis for acquiring such equity. The tax basis for the equity is the capital contribution costs actually paid by the equity transferor to a PRC resident enterprise at the time of the investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of such equity.

There is uncertainty as to the application of Bulletin 7 and SAT Circular 37. 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 SAT Circular 37 and 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 SAT Circular 37 and Bulletin 7. As a result, we may be required to expend valuable resources to comply with SAT Circular 37 and 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 net income 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 subsidiaries or consolidated VIEs. Currently, certain of our PRC subsidiaries, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of the SAFE 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 net income 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 subsidiaries and consolidated VIEs.

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 monetary or fiscal policies 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, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the Renminbi more flexible, which increases the possibility of sharp fluctuations of the Renminbi’s value in the near future and the unpredictability associated with the Renminbi’s exchange rate. Since then, 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. In 2017, however, the RMB appreciated approximately 6.7% against the U.S. dollar; and in 2018, the RMB depreciated approximately 5.7% against the U.S. dollar. 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 our initial public 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.

PRC regulations establish more complex procedures for acquisitions conducted by foreign investors which could make it more difficult for us to pursue growth through acquisitions.

The M&A Rules promulgated by six PRC regulatory agencies on August 8, 2006 established new procedures and requirements that could make merger and acquisition activities by foreign investors more time- consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. On February 3, 2011, the General Office of the State Council promulgated the Notice on Launching the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Security Review Notice, which became effective on March 6, 2011. The M&A Security Review Notice provides for certain circumstances under which foreign investors' acquisition of domestic enterprises shall be subject to the security review of the PRC governments. The security review assesses such acquisition's impact on national security, stable operation of national economy, basic living of the people, and R&D capacity for key technologies related to national security. On August 25, 2011, the Ministry of Commerce of PRC promulgated the Regulation of Ministry of Commerce on Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Security Review Regulation, which became effective on September 1, 2011. The M&A Security Review Regulation stipulates the requirements of application documents and security review procedures of the Ministry of Commerce. In the future, we may grow our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules, the M&A Security Review Notice and the M&A Security Review Regulation to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its provincial affiliates, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The enforcement of the laws on Employment Contracts and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the National People's Congress of China enacted the laws on Employment Contracts, or the Employment Contract Law, which became effective on January 1, 2008, amended on December 28, 2012.

The Employment Contract Law established new restrictions and increased costs for employers to dismiss employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Employment Contract Law, an employer is obliged to sign a labor contract with an unlimited term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts subject to certain conditions or after the employee has worked for the employer for ten consecutive years. The employer also has to pay compensation to an employee if the employer terminates an unlimited-term labor contract. Such compensation is also required when the employer refuses to renew a labor contract that has expired, unless it is the employee who refuses to extend the expired contract or resign. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008 and its Implementation Rules on Paid Annual Leave for Employees, which became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from five to 15 days, depending on their accumulative total length of service. Employers who fail to allow for such vacation time must compensate their employees three times their regular salaries for each vacation day disallowed, unless such employers can provide evidence, such as a copy of a written notice provided to their employees, that suggests the employers made arrangements for their employees to take such annual leaves, but such employees voluntarily waived taking their leaves or such employees waived their right to such vacation days in writing.

The audit report included in this annual report 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 annual report filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and 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. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators overseeing financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in this issue that has vexed U.S. regulators in recent years. On April 21, 2020, the SEC and the PCAOB issued a new joint statement, reminding the investors that in many emerging markets, including China, there is substantially greater risk that disclosures will be incomplete or misleading and, in the event of investor harm, substantially less access to recourse, in comparison to U.S. domestic companies, and stressing again the PCAOB's inability to inspect audit work papers in China and its potential harm to investors. However, it remains unclear whether the SEC and PCAOB will take any further actions or what kind of actions will they take to address this issue.

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.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers

introduced the QUITABLE Act, which is passed, may lead to the delisting from the U.S. national securities exchanges of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. See "—We may be adversely affected by political tensions between the United States and China." for further details.

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 United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the trading 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 delisting of our ADSs from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

The ability of U.S. authorities to bring actions for violations of U.S. securities law and regulations against us, our directors, executive officers or the expert named in this annual report may be limited and therefore you may not be afforded the same protection as provided to investors in U.S. domestic companies.

The SEC, U.S. Department of Justice ("DOJ") and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies such as us, and non-U.S. persons, such as our

directors and executive officers in China. Due to jurisdictional limitations, matters of comity and various other factors, the SEC, DOJ and other U.S. authorities may be limited in their ability to pursue bad actors, including in instances of fraud, in emerging markets such as China. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and executive officers reside within China. There are significant legal and other obstacles for U.S. authorities to obtain information needed for investigations or litigation against us or our directors, executive officers or other gatekeepers in case we or any of these individuals engage in fraud or other wrongdoing. In addition, local authorities in China may be constrained in their ability to assist U.S. authorities and overseas investors more generally. As a result, if we have any material disclosure violation or if our directors, executive officers or other gatekeepers commit any fraud or other financial misconduct, the U.S. authorities may not be able to conduct effective investigations or bring and enforce actions against us, our directors, executive officers or other gatekeepers. Therefore, you may not be able to enjoy the same protection provided by various U.S. authorities as it is provided to investors in U.S. domestic companies.

Privacy concerns relating to our products and services and the use of user information could damage our reputation, deter current and potential users and customers from using our products.

We may collect personal data while providing products, services and solutions to our customers. Our reputation may be damaged due to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, which will cause us to lose users and other customers and adversely affect our operations. We strive to comply with applicable laws and regulations on data protection, as well as our privacy policies and data protection obligations in accordance with our terms of use and other obligations we may have. However, any non-compliance or perceived non-compliance with these laws, regulations or policies may lead to investigations and other lawsuits against us by government agencies or other individuals. This will have a negative impact on our reputation and brand image, may cause us to lose users and customers, and have a negative impact on our business. In addition, any system failure or breach of our privacy policy by our current or former employees that may compromise of our security and result in an unauthorized access to or release of our users' or other customers' data could greatly limit the user engagement of our products and services, harm our reputation and brand image, as well as affect our business operations.

PRC government authorities have promulgated laws and regulations to protect personal information from any abuse or unauthorized disclosure. In November 2016, the Standing Committee of the National People's Congress promulgated the Network Security Law of the People's Republic of China, or the Network Security Law, which took effect as of June 1, 2017. The Network Security Law is the first special law establishing the overall regulatory regime of personal information protection at the digital age. Since the Network Security Law came into effect, a series of legislative and administrative actions in connection with personal information protection have been taken by the PRC government. The newly adopted legislature includes laws, judicial interpretations, national standards and governmental regulations related to personal information protection, while governmental agencies such as the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the State Administration for Market Regulation have taken a series campaigns to enhance and tighten the supervision of collection, usage, storage and transfer practices of personal information by internet service providers. For instance, pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information issued by the Ministry of Industry and Information Technology in July 2013, 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. Furthermore, Personal Information Protection Act has been listed into the legislative plan, which will strengthen the supervision of the collection of personal information. Furthermore, the Information Security Technology- Personal Information Security Specification (GB/T 35273-2017), or the Specification, was issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardization Administration of the PRC, or the Standardization Administration, on December 29, 2017 and will be replaced by Information Security Technology Personal Information Security Specification (GB/T 35273-2020), or the 2020 Specification, issued by the State Administration for Market

Regulation and the Standardization Administration jointly which will take effect on October 1, 2020. Pursuant to the Specification, product and service providers should take technical and other necessary measures to ensure the safety of personal information, clearly demonstrate the purpose, approaches and scope of processing the personal information to the individual and acquire the authorization. In addition, according to the 2020 Specification, personal biometric information should be stored separately from personal identity information and in principle, the original personal biometric information should not be stored; besides, it further requires that main function of privacy policy is to disclose the scope and rules of personal information collection and use by the personal information controller, which should not be regarded as a contract signed by the subject of personal information. In particular, in 2019, operators of hundreds of APPs, including many popular and well-known Apps such as Douyu, YY, Meituan and Alipay, have been consulted or ordered by government agencies to rectify their practices of personal information protection; since September 2019, the so-called "big data" companies have caught regulatory attentions for the suspect of illegal collection and abuse of personal information through internet crawling practices, while Hangzhou Moxie Data Technology Co., Ltd. and Shanghai Xinyan Artificial Intellegence Technology Co., Ltd. have even been officially investigated.

As laws and regulations on data protection evolve, our practices may be deemed to be inconsistent with such laws or regulations. In addition to the potential fines, such non-compliances could result in an order requiring us to change our practices, which may adversely affect our business and operation.

Risks Related to Our Ordinary Shares and ADSs

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

The trading prices of our ADSs have been, and are likely to continue to be, volatile and could fluctuate widely due to factors beyond our control. 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 Internet companies, online retail and mobile commerce platforms and consumer finance service providers, may affect the attitudes of investors toward Chinese companies listed in the United States, 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 United States, 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 consumer finance service providers;
- 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 market for consumer finance 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;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional Class A 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.

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

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

Our board of directors has 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 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, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. The total number of ordinary shares outstanding as of March 31, 2020 was 253,719,036, comprising 190,227,864 Class A ordinary shares and 63,491,172 Class B ordinary shares. All ADSs representing our Class A ordinary shares sold in our initial public 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 are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

In addition, certain major holders of our ordinary shares 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 our initial public 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.

We have been named as a defendant in eight putative shareholder class action lawsuits that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We will have to defend against the putative shareholder class action lawsuits described in "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings." We are currently unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of these lawsuits. There can be no assurance that we will prevail in defense of these lawsuits. Any adverse outcome of these cases could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

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

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

The depositary will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends in the foreseeable future. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy" To the extent that there is a distribution, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

Conversion of our convertible notes may dilute the ownership interest of existing shareholders.

In July 2019, we issued US$345 million aggregate principal amount of convertible senior notes due 2026. As of March 31, 2020, we have repurchased US$137.0 million aggregate principal amount of convertible notes, and the outstanding principal amount was US$208.0 million. The conversion of some or all of the convertible notes may dilute the ownership interests of existing shareholders. Any sales in the public market of the ADSs issuable upon such conversion could adversely affect prevailing market prices of our ADSs. In addition, the existence of the convertible notes may encourage short selling by market participants because the conversion of the convertible notes could depress the market price of our ADSs.

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

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

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. We conduct our operations outside the United States and 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 annual report 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 U.S. 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.

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), or, in certain circumstances, an in personam judgment for non-monetary relief, 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 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. There is uncertainty as 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.

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. 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 or other form of reciprocity between China and the United States, the United Kingdom, Japan or most other western countries governing the recognition and enforcement of judgments as of the date of this annual report, including those predicated upon the liability provisions of the United States federal securities laws, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible. In addition, you may not be able to bring original actions in China based on the U.S. or other foreign laws against us, our directors, executive officers or the expert named in this annual report either. As a result, shareholder claims that are common in the U.S., including class action securities law and fraud claims, are difficult or impossible to pursue as a matter of law and practicality in China. Therefore, you may not be able to effectively enjoy the protection offered by the U.S. laws and regulations that intend to protect public investors.

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. 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 United States. In particular, the Cayman Islands have a less developed body of securities laws than the United States. 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 have discretion under the second amended and restated memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder 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 United States. 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.

Our second 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 Class A ordinary shares represented by our ADSs, at a premium.

We have adopted the second amended and restated memorandum and articles of association, which became effective immediately prior to the completion of our initial public 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 Class A 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 Class A ordinary shares and ADSs may be materially and adversely affected. In addition, our second amended and restated memorandum and articles of association contain other provisions that could limit the ability of third parties to acquire control of our company or cause us to engage in a transaction resulting in a change of control, including a provision that entitles each Class B ordinary share to 10 votes in respect of all matters subject to a shareholders' vote.

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.

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 United States that are applicable to U.S. domestic issuers, including:

- 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;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- 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
- 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. 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.

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 corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. However, the NYSE 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 corporate governance listing standards.

For instance, we are not required to:

- have a majority of the board be independent (although all of the members of the audit committee must be independent under the Exchange Act);
- have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; or
- have regularly scheduled executive sessions with only independent directors each year.

We have relied on and intend to continue 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.

There is a significant risk that we will be classified as a passive foreign investment company, or PFIC, which could result in adverse United States tax consequences to United States investors.

The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, for any taxable year, we will be classified as a PFIC for United States federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets (which includes cash) by value in that taxable year which produce, or are held for the production of, passive income is at least 50%. For this purpose, passive income generally includes dividends, 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). The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See “Item 10. Additional Information — E. Taxation — Certain United States Federal Income Tax Considerations — Passive Foreign Investment Company.”

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the stock of our consolidated VIEs. If it is determined, contrary to our view, that we do not own the stock of our consolidated VIEs 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.

We consider ourselves as a service provider with the primary business purpose of focusing on our data technology. We aim to facilitate credit to borrowers that are funded by institutional funding partners rather than by using our own capital. As such, fees received from borrowers for on-balance sheet transactions are recorded as financing income, while fees received from institutional funding partners in connection with off-balance sheet transactions are recorded as loan facilitation income and other related income on our consolidated statements of

operations. However, we have historically funded, and may continue to fund, credit drawdowns with our own capital. In such case, the fees received from borrowers may be treated as interest for purposes of the PFIC rules. Certain proposed Treasury regulations (upon which taxpayers may rely) provide that, if certain conditions are fulfilled, interest that is treated as derived in the active conduct of a financing business will not be treated as passive income for purposes of the PFIC rules. However, given the nature of our business and composition of our income overall, there is a significant risk that we will not qualify for this exception. Given the foregoing and based on the past and projected composition and classification of our income and assets, we believe that there is a significant risk that we will be classified as a PFIC for United States federal income tax purposes for 2019, and we may be classified as a PFIC in future taxable years. If we are a PFIC for any taxable year during which you hold our ADSs or Class A 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 "Item 10. Additional Information — E. 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 "Item 10. Additional Information — E. 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 2019 or any future taxable year.

We will continue to incur increased costs as a result of being a public company.

As a U.S. public company, we 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 the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. These rules and regulations increase our legal and financial compliance costs and make some corporate activities more time-consuming and costly. We expect to continue 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 have increased the number of independent directors and adopted policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will continue to 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 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.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were founded in April 2014 and operated our business through Beijing Happy Time Technology Development Co., Ltd., or Beijing Happy Time. We initially operated our business by facilitating merchandise credit and cash credit to college students on campuses across China. Starting from November 2015, we shifted our focus to a broader base of young consumers in China, and we have terminated our on-campus business. Since July 2016, we have engage all borrowers as to our cash and merchandise credit products through online channels. In November 2017, we launched budget auto financing products under the "Dabai Auto" brand, and we established a nationwide network of showrooms to engage prospective car buyers. We started to wind down our budget auto financing business in the second quarter of 2019 to focus on our core consumer finance business.

In September 2016, Qufenqi (Ganzhou) Information Technology Co., Ltd., or Ganzhou Qufenqi, was incorporated as a wholly foreign owned entity in China. In November 2016, we incorporated Qudian Inc. under the laws of the Cayman Islands as our offshore holding company, and subsequently, we established a wholly- owned subsidiary in the British Virgin Islands, QD Technologies Limited, in November 2016, and a wholly-

owned subsidiary in Hong Kong, QD Data Limited, to be our intermediate holding company in December 2016, to facilitate our initial public offering in the United States. The entire equity interest of Ganzhou Qufenqi was transferred from its former holding company to QD Data Limited. As a result of the restructuring in 2016, we hold equity interest in Ganzhou Qufenqi through our current offshore structure. At the same time, Ganzhou Qufenqi entered into a series of contractual arrangements with Beijing Happy Time and its shareholders. In addition, pursuant to the resolutions of all shareholders of Qudian Inc. and the resolutions of the board of directors of Qudian Inc., the board of directors of Qudian Inc. or any officer authorized by such board will cause Ganzhou Qufenqi to exercise its rights under such contractual arrangements. As a result of these resolutions and the provision of unlimited financial support from the Company to Beijing Happy Time, Qudian Inc. has been determined to be most closely associated with Beijing Happy Time within the group of related parties and was considered to be the primary beneficiary of Beijing Happy Time and its subsidiaries.

Ganzhou Qudian, Hunan Qudian and Xiamen Qudian became our consolidated VIEs in 2017. Xiamen Weipujia became our consolidated VIEs in 2018. Xiamen Qu Plus Plus became our consolidated VIE in 2019. We have entered into a series of contractual arrangements with each new consolidated VIE and its shareholders, which allows us to exercise effective control over each new consolidated VIE and realize substantially all of the economic risks and benefits arising from such new consolidated VIE. The contractual arrangements for each consolidated VIE, including those as to the new consolidated VIEs, contain substantively identical provisions that afford us, through our wholly-owned subsidiary Ganzhou Qufenqi, the right to control all consolidated VIEs in the same manner and degree. Mr. Min Luo, our founder, chairman and chief executive officer, and Mr. Lianzhu Lv, our head of user experience department, are the only shareholders of Ganzhou Qudian, and Mr. Min Luo and Mr. Hongjia He, our vice president, are the only shareholders of Hunan Qudian. Mr. Min Luo is the only shareholder of Xiamen Qudian. Mr. Min Luo and Mr. Hongjia He are the only shareholders of Xiamen Weipujia. Mr. Min Luo and Mr. Long Xu are the only shareholders of Xiamen Qu Plus Plus. We believe such shareholding structure will enhance our administrative efficiency and reduce uncertainties associated with the enforcement of the relevant contractual arrangements entered into with the consolidated VIEs and their respective shareholder(s). Instead of relying on several shareholders' compliance with their respective contractual obligations, we will only rely on one or two shareholders' compliance for each consolidated VIE and would only need to enforce against such shareholder(s) in the event of a breach. The establishment of any of these consolidated VIEs is not intended to, and will not, have an adverse impact on the rights of our ADS holders. For more information, see "Item 3. Key Information on the Company — D. Risk Factors — Risks Relating to Our Corporate Structure — We rely on contractual arrangements with our consolidated VIEs and their 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 intend to utilize our consolidated VIEs to continue to conduct our existing loan book and transaction services businesses and to also undertake new business opportunities, including Wanlimu, our online luxury fashion products platform that we started in March 2020.

We currently conduct our business in China mainly through our consolidated VIEs and their subsidiaries. Xiamen Weipujia does not currently engage in material business operations.

In July 2019, we issued US$345 million aggregate principal amount of 1.00% convertible senior notes due 2026 (including full exercise of the initial purchasers' option to purchase additional notes), raising US$334.2 million in net proceeds to us after deducting underwriting discounts and commissions and other offering expenses. In connection with the offering of the convertible senior notes, we entered into capped call transactions with the initial purchasers and/or their respective affiliates and used approximately US$28.2 million of the net proceeds of the offering to pay the cost of such transactions.

Our principal executive offices are located at Tower A, AVIC Zijin Plaza, Siming District, Xiamen, Fujian Province 361000, People's Republic of China, and our telephone number is +(86) 592 591 1580. Our website address is www.qudian.com. The information on our website does not form a part of this annual report. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding

registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

B. Business Overview

Overview

We are a leading technology platform empowering the enhancement of online consumer credit experience in China. We target hundreds of millions of young, tech-savvy and mobile-active consumers in China who are underbanked and underserved but eager to access small credit for their discretionary spending. Our technology platform enables licensed credit providers to offer instantaneous, affordable and customized consumer credit to this young generation of consumers.

At the core of our technology platform are our big-data driven artificial intelligence-based credit assessment model and efficient transaction infrastructure. Our credit assessment model is built on a massive amount of multi-dimensional borrower data and advanced machine learning capabilities. We focus on data analysis that not only reflect borrowers' ability to repay but also their willingness to do so. The growing volume of credit transactions facilitated by our platform allows us to continuously refine our proprietary credit assessment model, which enables us to accurately assess borrowers' credit profiles. In addition, our transaction clearing infrastructure meets the stringent requirements of regulated financial institutions and has the capability to process enormous credit transactions in real time. We have integrated our transaction infrastructure seamlessly with licensed institutional funding partners. As a result, we are able to rapidly aggregate borrowing demand, assess credit risk and match funding sources instantaneously.

Through our technology platform, we operate (i) a loan book business, whereby we offer small credit products to consumers and undertake the related credit risk, and (ii) a transaction services business, whereby we offer loan recommendation and referral services to third-party financial service providers and assume no credit risk. In 2019, we facilitated RMB84.5 billion (US$12.1 billion) in transactions. 72.0% of such transactions were facilitated under our loan book business, and 28.0% were facilitated under our transaction services business. As of December 31, 2019, we had served a cumulative number of borrowers of 19.0 million.

To provide consumers with a convenient experience, we offer small credit products through our online platform, with all of the transactions facilitated through mobile devices. Prospective borrowers can apply for small credit on their mobile phones and receive approval within minutes. Approved borrowers are then able to draw down on their cash credit with cash disbursed immediately into their online accounts in digital form. Borrowers also repay the credit drawdowns through their online accounts. We also offer merchandise credit products to finance borrowers' direct purchase of merchandise from the Qudian marketplace on installment basis. Through collaborating with more than 200 merchandise suppliers, we offer a variety of merchandise ranging from consumer electronics products to watches and sports and outdoor products to capture approved borrowers' growing consumption demand and enhance their online shopping experience. In the three months ended December 31, 2019, the small credit products under our loan book business had an average size of approximately RMB1,500 (US$215.5) and weighted average term of approximately 11.0 months.

We collaborate with a variety of institutional funding partners such as banks, trust companies, consumer finance companies, asset management companies and other institutions, to secure sufficient amounts of funding for credit drawdowns. Institutional funding partners are interested in working with us because of our technology-driven credit assessment capabilities and the diversified credit portfolio with attractive risk-adjusted returns. Our strong technological capabilities enable us to seamlessly integrate our system with those of our institutional funding partners, rapidly facilitate transactions and repayment settlements at a massive scale and forecast our funding needs on a real-time basis. We do not directly source funding from retail investors.

We have developed our transaction services business to help financial service providers grow, while simultaneously bringing value to consumers. The transaction services business also allows us to further monetize

our user base and mitigate our credit risk exposure. While our registered users grew to approximately 79.5 million as of December 31, 2019, the number of outstanding borrowers was 6.1 million as of the same date, evidencing the potential to maximize the value of our user base. We aim to further activate this user base by operating an open platform, whereby we offer transaction referral services to licensed institutional funding partners and traffic referral services to other financial technology platforms. The financial service providers take full credit risk for these referrals. We expect to create significant value for all parties involved in these initiatives: financial service providers gain access to a vast online borrower base; and consumers can access affordable, instant credit through more mobile channels. As of December 31, 2019, the cumulative amount of transactions facilitated under our transaction services business was RMB23.7 billion, and the cumulative number of borrowers for such transactions was 1.3 million. In the three months ended December 31, 2019, the transactions facilitated under our transaction services business had an average loan balance of approximately RMB12,000 (US$1,723) and weighted average term of approximately 13.8 months.

We launched Wanlimu, an online luxury fashion products platform, in March 2020. Wanlimu caters to the strong demand of China's middle- and high-income consumers for luxury products from global fashion brands. We aim to provide a one-stop online fashion shopping experience, and consumers can purchase a broad range of skin care products, bags, apparel, shoes and accessories on Wanlimu. As of March 31, 2020, more than 8,600 SKUs from over 50 global luxury brands were available on Wanlimu. We plan to expand the merchandise offerings on Wanlimu to better satisfy consumers' demand for high quality fashion products.

We generate (i) financing income and loan facilitation income and other related income from cash credit products and (ii) financing income, sales commission fee and loan facilitation income and other related income from merchandise credit products. We generate transaction services fee and other related income from our transaction services business. We also generate revenue from merchandise sales on the Wanlimu platform. We historically offered budget auto financing products, from which we generated sales income and financing income. We started to wind down our budget auto financing business in the second quarter of 2019 to focus on our core consumer finance business.

We have achieved significant scale and experienced strong growth in our results of operations. Our total revenues increased from RMB4,775.4 million in 2017 to RMB7,692.3 million in 2018, and further increased to RMB8,840.0 million (US$1,269.8 million) in 2019. We recorded net income of RMB2,164.5 million, RMB2,491.3 million and RMB3,264.3 million (US$468.9 million) in 2017, 2018 and 2019, respectively.

Credit Business

Our credit business is comprised of (i) a loan book business, whereby we offer small credit products to consumers and undertake the related credit risk, and (ii) a transaction services business, whereby we offer loan recommendation and referral services to third-party financial service providers and assume no credit risk.

Loan Book Business

Small Credit Products

Under our loan book business, we offer small credit products to consumers and undertake the related credit risk. We target hundreds of millions of young, tech-savvy and mobile-active consumers in China who are underbanked and underserved but eager to access small credit for their discretionary spending. Our small credit products consist of cash credit products and merchandise credit products. Users can access our small credit products through our Laifenqi and Qudian mobile apps. Small credit products typically have short durations, enabling us to quickly understand a borrower's behavior and further refine our data analytics and credit assessment model. Small credit products also enjoy favorable risk characteristics compared to larger credit products. A borrower is more likely to repay a smaller amount on time to maintain the quality of his or her credit profile, which may impact future borrowing activities. Benefits to fraudulent borrowers are also limited given the small amount of money borrowed.

Our cash credit products comprise short-term, unsecured lines of credit that can be drawn down at any time, subject to our approval at the time of each drawdown request. Prospective borrowers complete an application and receive a decision on their application in as quick as a few seconds. When a credit is drawn, the money is deposited directly into the borrower's specified digital account and can be used anywhere such digital account is accepted. Borrowers are typically charged financing service fees for cash credit drawdowns. In the three months ended December 31, 2019, our cash credit products had an average size of approximately RMB1,972 (US$283.3) and weighted average term of approximately 8.5 months.

We also offer merchandise credit products to finance borrowers' direct purchase of merchandise offered on the Qudian marketplace on installment basis. The Qudian marketplace connects consumers with merchandise suppliers. We neither sell merchandise nor hold inventory for the Qudian marketplace. Customers access the Qudian marketplace through mobile apps. Only customers with approved merchandise credit limits can make purchases, and we require a minimum amount of each purchase to be funded by utilizing our credit product. In the event the credit drawdown were insufficient to purchase the relevant merchandise, borrowers will need to pay for the portion that was not covered by the credit products using their own funds. A borrower may also voluntarily pay a portion of the purchase price with his or her own funds. We currently collaborate with more than 200 merchandise suppliers, including leading consumer brands and their authorized distributors, to offer 16 categories of merchandise from over 4,000 brands covering primarily consumer electronics, home appliances, watches and accessories, sports and outdoor merchandise and luggage. Borrowers are typically charged financing service fees for merchandise credit drawdowns. We also earn sales commission fee from our merchandise suppliers for our intermediary services rendered. Sales commission fee represents fees earned from merchandise suppliers when borrowers purchase their merchandise on the Qudian marketplace and comprise (i) the difference between the retail prices of the merchandise sold to borrowers and the prices of the merchandise that we pay to the merchandise suppliers and (ii) rebates earned from merchandise suppliers. Such fees are determined based on our negotiation with the relevant merchandise suppliers. Merchandise suppliers do not receive any other amounts from us or borrowers.

We utilize our proprietary data analytics and credit assessment model to determine the amount of credit available for each borrower. For information regarding credit assessment, see "— Credit Approval and Servicing Process — Stage 3: Credit Assessment." The full amount of such credit represents such borrower's credit limit for merchandise credit products. A portion of the full amount represents the borrower's credit limit for cash credit products. Nonetheless, while borrower may utilize funds received under cash credit products for any purpose, merchandise credit products can only be used to fund purchases on the Qudian marketplace. Borrowers' credit limits are not the same as revolving lines of credit which can be utilized and paid down and utilized again because we have the right to not approve any additional draw downs. Upon receipt of a drawdown request, our credit assessment model and risk management system normally review the application and re-evaluate the creditworthiness of such borrower to ensure that he or she is qualified for the requested drawdown.

When borrowers draw down on their cash credit or utilize their merchandise credit to purchase merchandise on the Qudian marketplace, they may choose between several installment plans of different durations and financing service fees. The terms of the credit products are clearly stated in the electronic borrowing agreements borrowers enter into with us upon drawdowns:

- *Installments*. Borrowers are generally required to make fixed weekly or monthly payments. The combined total represents the loan principal and financing service fees charged to borrowers.
- *Durations*. Durations of credit products facilitated typically range from one to 18 months for cash credit products and from one to 18 months for merchandise credit products as of the date of this annual report. Historically, we also offered merchandise credit products that require monthly payments ranging up to 24 months.
- *Prepayments*. Borrowers may pay off their account balance in full at any time, and the amount of repayment will be calculated based on actual duration of the loan prior to the prepayment.

- *Penalty fee*. A penalty fee for late payment is clearly disclosed in the agreement and will be imposed as a daily penalty rate of the amount past due.
- *Repayment method*. Repayments are made through the borrower's specified digital account.

The borrower may continue to utilize his or her credit as long as the borrower has made the requisite payments in a timely manner, and there are unused credit remaining, subject to our approval at the time of each drawdown request. Borrowers are not allowed to roll over cash credit products or merchandise credit products upon maturity or otherwise change the terms of the transactions.

Budget Auto Financing Products

We historically offered budget auto financing products in the form of sales-type finance leases and vehicle sales with guarantee under the Dabai Auto brand. We started to wind down our budget auto financing business in the second quarter of 2019 to focus on our core consumer finance business.

In the case of sales-type finance leases, we purchased cars on our inventory and leased them to creditworthy car buyers. Each car buyer was required to make a down payment and pay installments throughout the term of the lease. The legal title of the car was transferred to the car buyer upon full repayment. In the case of vehicle sales with guarantee, we sold vehicles to buyers and provided loan facilitation services to funding partners who provided financing to the vehicle buyers. The buyer obtained control of the vehicle when the borrower physically possessed the vehicle and when we received cash consideration for the vehicle from the buyer. We received recurring service fees from the financial institution for our loan facilitation services and post-origination services throughout the term of the loan. In addition, we provided a guarantee on the principal and accrued interest repayments of the defaulted loans to the financial institution.

Risk Management

To maintain healthy credit performance, we developed a rigorous credit assessment model and robust risk management system. We are an innovator in the application of artificial intelligence, machine learning and big data analytics to credit services. We aggregate borrowers' behavioral data and utilize machine learning technologies to accurately assess borrowers' credit profiles. Our unique small credit products with short tenure result in a high transaction frequency, which in turn help to produce a massive amount of transaction data and a high transaction velocity, which is critical for an artificial intelligence and machine learning driven credit assessment model to quickly evolve in a continuously self-reinforcing manner. The model is built on more than 800 decision rules and over 6,000 data variables and powered by our massive database, including more than 208 million actual transaction backed analytics and data from more than RMB268 billion cumulative amount of credit drawdowns facilitated as of December 31, 2019.

Fraud Prevention

Our fraud prevention system identifies suspicious activities effectively and accurately with minimum friction in user experience. Machine learning enables us to analyze prospective borrowers' behavioral patterns and address different types of fraud risks, including known fraud types, new fraud types as well as organized frauds. We aggregate data from both internal and external sources and undertake multiple steps to identify frauds:

- *Information Authentication*. We use information from external databases to match the information provided by the prospective borrower. If the relevant information does not match, such application will be declined.
- *Restricted List Search*. We collaborate with other institutions to screen prospective borrowers who are on restricted lists maintained by such institutions. We utilize more than 30 such lists, which contain individuals whose records indicate higher risk of fraud.

Credit Assessment

Our credit assessment system has undergone significant evolutions since our inception in April 2014. Prior to November 2015, we primarily engaged borrowers offline and utilized traditional credit assessment methodologies such as in-person collection of borrower information as well in-person interviews. Our borrower engagement efforts shifted from offline to online since November 2015, and we have fully automated data collection and credit assessment methodologies accordingly. In the fourth quarter of 2017, we adopted a new credit assessment system, which consisted of multiple modules:

- *Admission Module*. Under this module, we assess applicants based on their basic background information, such as age and the geographical regions where they are located;
- *Redline Module*. Under this module, we exclude certain ineligible applicants, such as students and applicants on restricted lists maintained by other institutions that we collaborate with;
- *Enhanced Rule Module*. Under this module, we identify high risk applicants, such as applicants with a history of severe delinquency or have a record of borrowing from a large number of lenders. QD score is also one of the key factors we consider under the enhanced rule module to assess applicants;

QD Score

QD score analyzes a large number of variables for each transaction and enable us to better differentiate between creditworthy borrowers and lower quality borrowers. Such variables include internal data, such as historical transaction data backed by actual repayment and delinquency behavior. Compared to our earlier credit assessment systems, QD score takes into account more variables relating to (i) prospective borrowers' credit applications and delinquencies with other financial service providers and (ii) prospective borrowers' ability to repay. We believe such variables have enhanced our ability to identify prospective borrowers who have borrowed from multiple sources and therefore present higher level of credit risk as well as our ability to accurately assess prospective borrowers' ability to repay. For repeat borrowers, we use borrowers' transaction data on our platform. We have cumulatively facilitated over 208.0 million credit transactions on our platform, which gives us proprietary data advantage in terms of users' credit quality with regards to repayment and delinquency behavior.

QD score correlates positively with credit quality and ranges from 300 to 1,000. We offer borrowers with better credit quality progressively higher credit limits. In 2019, credit limits assigned to eligible borrowers ranged approximately from RMB500 to RMB25,000**.**

Historical Practices

Our credit assessment system has undergone significant changes since our inception in April 2014. Prior to November 2015, we primarily engaged borrowers offline and utilized traditional risk management methodologies such as in-person interviews and in-person collection of borrower information, which included education background, PRC identity card and student identification card. We assessed borrowers' risk profiles based on the completeness of their information, and we divided them into multiple segments, each corresponding to a different credit limit.

Our borrower engagement efforts shifted from offline to online in November 2015, and we have started to automate our data collection process and credit assessment system. During the period from November 2015 to January 2017, we assessed borrowers' credit profiles based on a large number of inputs, such as Zhima Credit Score, the borrower's delinquency record, the number of credit applications submitted by the borrower to other financial service providers and delinquency rates in the region where a prospective borrower resides. None of the inputs by itself alone is determinative in our analysis. We assigned borrowers highly differentiated credit limits based on their credit profiles.

In January 2017, we rolled out a major upgrade of our risk management system and adopted two distinct credit assessment systems for new borrowers and borrowers who have established certain credit histories with us.

These systems allowed us to better utilize transaction data on our platform as well as distinguish the credit quality of borrowers. In the fourth quarter of 2017, we combined the two systems into a more enhanced system, namely QD score.

Every applicant who passes our fraud prevention and credit assessment system is assigned a credit limit, the size of which is determined by our credit assessment system.

Our Risk Management Team

We have established a risk management team comprising of 163 employees as of December 31, 2019. Our risk management team meets regularly to examine the credit and enterprise risks of our company, and is intimately involved in portfolio management, credit model development, validation and optimization. Tasks performed by our risk management team includes reporting on origination trends, monitoring of portfolio performance and stability, risk concentrations, building and maintaining credit models, performing economic stress tests on our portfolio, optimizing credit decisioning processes and conducting peer benchmarking and exogenous risk assessments.

A majority of our risk management team members are responsible for credit management and collection. We have implemented payment and collection policies and practices, included through automated repayment process in which borrowers authorize deduction from their specified digital accounts for the amount of scheduled repayments. These policies and practices are designed to optimize regulatory compliant repayment, while also providing superior borrower experience. Our collections teams are trained to help borrowers to understand the value of their credit profile, explore available payment alternatives and make reasonable arrangements to repay outstanding balances. Our employees contact borrowers following the first missed payment and periodically thereafter. Our primary methods of contacting past due borrowers are to send reminders through text, voice and instant messages, phone calls, letters and emails.

We have developed a machine learning algorithm to better allocate collection resources based on more detailed grouping of larger delinquency risk, which we rolled out in the second quarter of 2017. The algorithm places delinquent borrowers into different groups based on internal blacklist check, credit history and QD score. Higher risk groups are allocated with more collection resources as the likelihood of their outstanding balance becoming longer-term delinquent or even uncollectable is generally higher. We expect to both improve our collection efficiency and reduce delinquency under this algorithm.

Pricing

Credit limits for small credit products are determined based on assessments performed by our proprietary credit assessment model and risk management system. Our credit assessment model takes into account factors such as identity characteristics, credit history, payment overdue history, payment capacity, behavioral characteristics and online social network activity, and assign each borrower a personalized credit limit based on his or her credit profile.

We continually review and assess the credit profiles of borrowers at each drawdown request. If the credit profile of a prospective borrower changes, the amount and duration of credit that such borrower may be able to draw down under the credit limit would also change. As borrowers repay, they build credit histories with us. Based on the credit histories, our artificial intelligence-based credit assessment model enables us to continually re-evaluate borrowers' credit profiles and provide more personalized credit limits. We offer borrowers with stronger credit profiles higher credit limits and longer repayment durations, thereby driving higher engagement with them.

Pricing for credit drawdowns borrowed under cash credit and merchandise credit products are quoted in the form of the size of each installment payment and the number of installments required. For cash credit and

merchandise credit products, the combined total represents the loan principal and financing service fees charged to borrowers. A credit product with duration of one week only requires a one-time payment upon maturity. A penalty fee for late payment is imposed as a daily penalty rate of the amount past due. All fees are clearly disclosed to the borrower upfront when the transaction is facilitated. In an effort to comply with potentially applicable laws and regulations, we adjusted the pricing of our credit products in April 2017 to ensure that the annualized fee rates charged on all credit drawdowns do not exceed 36%.

The financing service fee of a credit product is determined by its size and duration. Credit products of larger size and longer duration generally correspond to higher amount of financing service fees. For borrowers with strong credit profiles, we may offer them discounts as to financing service fees. In addition, we hold promotional campaigns from time to time and charge lower financing service fees during such campaigns. Such discounts were RMB1.5 million, RMB61.6 million and RMB10.7 million (US$1.5 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

Transaction Services Business

In the fourth quarter of 2018, we launched an open platform for transaction services business, which helps financial service providers grow, while simultaneously bringing value to consumers. The transaction services business also allows us to further monetize our user base and mitigate our credit risk exposure. We perform credit assessment on users applying for credit on our platform, following which we primarily refer users that meet our credit requirements to licensed institutional funding partners that participate on the platform. We receive commissions from the institutional funding partners for such referrals. For users that do not meet our credit requirements, we refer their applications to other financial service providers that participate on the platform. We typically charge such financial service providers for lead generation on a cost-per-click basis.

The financial service providers perform independent credit assessment for the transactions facilitated under our transaction services business, and we do not bear credit risk for the transactions.

Our open platform provides one-stop end-to-end credit service to consumers through our mobile applications. Consumers can complete credit applications, and loan drawdowns from our licensed institutional funding partners or other financial service providers on our platform. As such, our platform offers superior user experience compared to platforms that redirect borrowers to other financial service providers to process their borrowing transactions.

Borrowers

We target hundreds of millions of young, tech-savvy and mobile-active consumers in China who are underbanked and underserved but eager to access small credit for their discretionary spending. As we have been focused on providing credit products to young consumers across China, we have gained extensive experience and understanding into the behavior and consumption preference of such demographic of users since our inception. In 2019, approximately 84.3% of active borrowers are between 18 and 35 years of age.

We primarily engage borrowers through our mobile applications. We also seek to diversify our borrower engagement channels by collaborating with other leading Internet companies.

We have experienced significant growth in the number of borrowers since inception. As of December 31, 2017, 2018 and 2019, approximately 26.2 million, 31.0 million and 33.8 million registered users were approved with credit, respectively. As of December 31, 2017, 2018 and 2019, our outstanding borrower base was 5.8 million, 5.3 million and 6.1 million, respectively. In 2017, 2018 and 2019, repeat borrowers made up approximately 81.9%, 88.0% and 77.6% of our total active borrowers, respectively. We believe the increase in repeat borrowers reflects borrower loyalty and our credit products' ability to address borrower consumption needs. On average, an active borrower drew down credit from our platform approximately 5.3 times in 2019.

Funding

We collaborate with institutional funding partners to fund transactions under both the loan book business and the transaction services business. While we bear credit risk for transactions under the loan book business, we do not bear credit risk for transactions under the transaction services business. We believe institutions provide us with an efficient way to secure a large amount of funding, while being generally more stable than retail investors by nature. In addition, while we intend to focus on leveraging technology, rather than capital, to serve the broad consumer base in China, we indirectly fund certain transactions under the loan book business through funding arrangements with financial institutions to provide ourselves with funding flexibility.

The table below sets forth a breakdown by funding sources for total amount of transactions in the periods presented:

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
On-balance sheet transactions:				
Credit drawdowns that were funded by institutional funding partners	47,247,820	17,786,502	6,827,311	980,682
Credit drawdowns transferred to institutional funding partners	22,430,109	1,664,062	477,200	68,545
Credit drawdowns funded through trusts[(1)]	24,817,711	16,122,440	6,350,111	912,136
Credit drawdowns that were funded by our own capital	31,225,916	19,249,864	15,933,116	2,288,649
Total on-balance sheet transactions	78,473,736	37,036,366	22,760,427	3,269,331
Off-balance sheet transactions	10,469,933	20,904,603	38,080,279	5,469,890
Transactions under the loan book business	**88,943,669**	**57,940,969**	**60,840,706**	**8,739,221**
Transactions under the transaction services business	**—**	**—**	**23,683,642**	**3,401,942**
Total	**88,943,669**	**57,940,969**	**84,524,348**	**12,141,163**

(1) Excludes credit drawdowns funded by our own capital through trusts.

The table below sets forth a breakdown by funding sources, as a percentage of the amount of transactions, in the periods presented:

	Year Ended December 31,		
	2017	2018	2019
		%	
On-balance sheet transactions			
Credit drawdowns that were funded by institutional funding partners	53.1	30.7	8.1
Credit drawdowns transferred to institutional funding partners	25.2	2.9	0.6
Credit drawdowns funded through trusts[(1)]	27.9	27.8	7.5
Credit drawdowns that were funded by our own capital	35.1	33.2	18.9
Total on-balance sheet transactions	**88.2**	**63.9**	**26.9**
Off-balance sheet transactions	**11.8**	**36.1**	**45.1**
Transactions under the loan book business	**100.0**	**100.0**	**72.0**
Transactions under the transaction services business	**—**	**—**	**28.0**
Total	**100.0**	**100.0**	**100.00**

(1) Excludes credit drawdowns funded by our own capital through trusts.

We select funding sources to fund credit facilitated by us based on various factors, including the fees charged by such funding sources, amount of the credit drawdowns to be funded, the credit drawdown requirement of the funding sources at that time and the timing of the availability of fund from the funding sources. Under the loan book business, the financing service fee of a small credit product is determined by its size and duration, instead of the funding arrangement related to the transaction. For more information, see "— Pricing." Under the transaction services business, the pricing terms for the transactions are determined by the relevant financial service providers.

Funding Provided Directly by Institutional Funding Partners and Guaranteed by Us

We have entered into cooperative agreements with banks in China and started to fund credit drawdowns to borrowers under such arrangements in April 2017. The banks are able to utilize our data-driven credit assessment model to screen potential borrowers who are traditionally underserved by banks due to the lack of credit data. Under such agreements, we refer to such banks qualified credit applications from borrowers, including our assessment of their credit profiles and our suggested credit limits. They will then review the credit applications independently in accordance with their credit assessment standards and approve credit for drawdown. Once a credit limit is approved and funding is requested, the banks will fund the credit to the borrower directly. The relevant bank is identified as the lender under the borrowing agreement. The borrower is required to repay the principal and financing service fees directly to the relevant bank. Such bank will in turn deduct the principal and fees due to it from the repayment and remit the remainder to us as our loan facilitation fees. When the borrower defaults, we are obligated to repay the full overdue amount to the relevant banks.

We also entered into collaborations with consumer finance companies and small credit companies pursuant to which the consumer finance companies and small credit companies funded the credit we facilitated for the borrower directly. Such arrangements with the consumer finance companies and small credit companies were similar to those entered into with banks.

In 2019, the amount of transactions facilitated under these arrangements with banks, consumer finance companies and small credit companies for our cash credit products were RMB38,080.3 million (US$5,469.9 million). We recognize loan facilitation fees earned from banks, consumer finance companies and small credit

companies as loan facilitation income and other related income, which were RMB2,297.4 million (US$330.0 million) in 2019. At the inception of each credit drawdown directly funded by banks, consumer finance companies and small credit companies, we record the fair value of (i) guarantee liabilities, which represent the present value of our expected payout based on the estimated delinquency rate and the applicable discount rate for time value; or (ii) risk assurance liabilities, which considers the premium required by a third-party market participant to issue the same risk assurance in a standalone transaction, as applicable. The contingent loss rising from risk assurance liabilities is recognized when borrower default is probable, and the amount of loss is estimable. As of December 31, 2019, guarantee liabilities and risk assurance liabilities under our arrangement with banks, consumer finance companies and small credit companies was RMB1,517.8 million (US$218.0 million). In 2019, we paid banks, consumer finance companies and small credit companies RMB2,084.1 million (US$299.4 million) for borrower default.

Funding Provided through Trusts

Institutional funding partners, including banks, asset management companies and other institutions, also currently provide credit indirectly to borrowers through trusts we established in collaboration with trust companies. Each trust has a specified term. We consolidate the trusts' financial results in our consolidated financial statements in accordance with U.S. GAAP. Institutional funding partners invests in our trusts in the form of trust units, which entitle the institutional funding partner to a fixed rate of return on the investment. Pursuant to the cooperative agreement with the trust company, we are designated as the service provider for the trusts. If a credit application is approved by us, the credit drawdown will be funded from the trusts to the borrower directly. The trust is identified as the lender under the borrowing agreement. The borrower is required to repay the principal and financing service fees directly to the trust. The trust remits to the institutional funding partners pursuant to the terms of the trust that reflect (i) the pre-agreed rate of return and (ii) funds initially provided by the institutional funding partners. In the event payments made by borrowers are less than the amount that would reflect the pre-agreed rate of return and funds initially provided by the institutional funding partners, we are obligated to make up for the deficit so that the institutional funding partners still receive such total amount. Any remaining amount in the trust is retained by us. The trust company is responsible for administering the trust and is paid a service fee.

We also fund certain trusts with our own capital. In 2019, the amount of transactions facilitated through trusts was RMB12,843.7 million (US$1,844.9 million), of which RMB6,350.1 million (US$912.1 million) was funded by institutional funding partners and RMB6,493.6 million (US$932.7 million) was funded with our own capital.

While the amount of transactions that a trust can provide is limited by the applicable trust agreement, we may establish additional trusts as necessary. In addition, each of the trusts has its own funding criteria, including sizes and durations of credit products, borrowers' ages, type of products (i.e., cash credit or merchandise credit) and minimum annualized fee rate. The funding criteria of a trust are in part based on the relevant funding criteria of the institutional funding partners that provided funds into such trust. Following such criteria, we have facilitated a significant amount of transactions through our trusts. Since the trust company administering such trusts has been licensed by financial regulatory authorities to lend, credit drawdowns funded under such arrangement are not private lending transactions within the meaning of the Private Lending Judicial Interpretation issued by the Supreme People's Court of the PRC in August 2015. As a result, under such arrangement, we will not be deemed as a lender or a provider of financial services by the PRC regulatory authorities or becoming subject to supervision and restrictions on lending under the applicable laws and regulations.

Funding Arrangements with Banks Involving Our Own Capital

In 2019, we entered into arrangements with certain banks whereby such financial institutions act as channels for us to fund credit drawdowns with our own capital. We bear the full credit risk for such credit drawdowns, and

we record such credit drawdowns on our balance sheet. In 2019, we funded RMB7,985.9 million (US1,147.1 million) of credit drawdowns under such arrangements.

We historically funded certain credit drawdowns with two small credit companies established by us.

Funding Arrangements under the Transaction Services Business

In the fourth quarter of 2018, we launched an open platform for transaction services business. We perform credit assessment on users applying for credit on our platform, following which we primarily refer users that meet our credit requirements to licensed institutional funding partners that participate on the platform. We receive commissions from the institutional funding partners for such referrals. For users that do not meet our credit requirements, we refer their applications to other financial service providers that participate on the platform. We typically charge such financial service providers for lead generation on a cost-per-click basis.

The financial service providers perform independent credit assessment for the transactions facilitated under our transaction services business, and we do not bear credit risk for the transactions.

In 2019, we facilitated RMB23.7 billion (US$3.4 billion) of transactions facilitated under our transaction services business.

Credit Drawdowns Transferred to Institutional Funding Partners

We transferred credit drawdowns to certain institutional funding partners, including P2P platforms historically. Such arrangements involve us first disbursing credit to borrowers with our own funds before we aim to transfer such credit drawdowns to institutional funding partners. We have ceased transferring credit drawdowns to P2P platforms and certain other institutional funding partners in April 2017. We made such decision due to the relatively high cost of funds provided by P2P platforms. We also took into account the regulatory uncertainties faced by P2P platforms. The change in funding arrangements did not have any impact on existing credit drawdown outstanding, as we continued to pay P2P platforms fees on credit drawdowns previously transferred to them in accordance with the relevant agreements. The change in funding arrangements has not had any negative impact on total revenues or liquidity requirements, as we have started to cooperate with other institutional funding partners. The other institutional funding partners provide cheaper funding sources compared to P2P platforms, helping us to maintain low funding costs.

Our Collaboration with Ant Financial

In 2015, we approached Ant Financial for a potential business cooperation. We have established a rapidly expanding business as a provider of online credit products and demonstrated strong capabilities in data technology and risk management. In September 2015, Ant Financial's wholly owned subsidiary API (Hong Kong) Investment Limited became a shareholder of Qufenqi Inc., a former holding company of Beijing Happy Time. We started to engage prospective borrowers through the Alipay consumer interface in November 2015. Since then, we have continued to collaborate with Ant Financial in multiple areas of our business. In connection with our restructuring in 2016, API (Hong Kong) Investment Limited became one of the principal shareholders of Qudian Inc., and it ceased to be our principal shareholder in April 2019. In addition, we ceased to engage borrowers through the Alipay consumer interface in July 2019.

Payment Processing and Settlement. Borrowers receive proceeds from credit drawdowns as well as make repayments through their Alipay accounts. For on-balance sheet transactions, we disburse funds to, and collect repayments from, borrowers through our Alipay accounts. For off-balance sheet transactions, our institutional funding partners utilize their own Alipay accounts and transact with borrowers directly. We have entered into agreements with Ant Financial for payment processing and settlement services in connection with our Alipay accounts. Pursuant to such agreements, we are charged a fixed amount for each credit drawdown funded by our

Alipay accounts as well as a percentage of each repayment made to our Alipay accounts. The payment processing and settlement agreements typically provide for an initial term of one year, which can be automatically renewed unless either party provides notice to the other of its decision not to renew 30 days prior to the expiration of the relevant agreement.

QuCampus. To further enhance user engagement efforts, in October 2016 we formed a joint venture with Ant Financial, QuCampus, a company organized under the laws of the PRC. As of the date of this annual report, QuCampus is owned approximately 45.9% by us, 44.1% by Ant Financial and 10.0% by Ganzhou Happy Share, a limited partnership established in connection with the share incentive plan to be established by QuCampus. Mr. Min Luo, our founder, chairman and chief executive officer, is the general partner of Ganzhou Happy Share. We do not expect Mr. Min Luo to be a participant in the share incentive plan to be established by QuCampus. Pursuant to our framework agreement with Ant Financial, we have committed to invest an aggregate of RMB190 million in QuCampus. We have invested RMB70.0 million (US$10.1 million) as of December 31, 2019. The book value of our equity interests in QuCampus as of December 31, 2019 was RMB29.8 million (US$4.3 million), which equals to our investment of RMB70.0 million (US$10.1 million) for such equity interests after deducting our share of QuCampus' loss. Ant Financial has committed to invest an aggregate of RMB100 million in QuCampus, and it has invested RMB35.0 million (US$5.0 million) as of December 31, 2019. We and Ant Financial will each pay the remainder of the respective committed amount if the board of directors of QuCampus determines that such investment is warranted by QuCampus' operational and financial needs. Ganzhou Happy Share has committed to invest an aggregate of RMB10 million in QuCampus, and such amount is expected to be paid when participants in the equity incentive plan pay exercise prices in connection with the exercise of their equity awards.

We have entered into a shareholders' agreement with QuCampus, Ant Financial, Ganzhou Happy Share and Mr. Min Luo. Such shareholders' agreement provided that:

- *Board representation*. The board of directors of QuCampus consists of four directors. We and Ant Financial are entitled to nominate two directors each. We and Ant Financial have also agreed to vote in favor of the nominees of the other party.
- *Preemptive rights*. We and Ant Financial enjoy preemptive rights with respect to all or part of any increase in registered capital of QuCampus.
- *Right of first refusal*. We and Ant Financial enjoy the right of first refusal as to any proposed sale of equity interests by a shareholder.
- *Transfer restrictions*. We and Ganzhou Happy Share are prohibited from, directly or indirectly, transferring or pledging equity interests in QuCampus without Ant Financial's approval.
- *Non-compete*. QuCampus may not issue any equity interests to, or purchase any equity interests of, a competitor of us or Ant Financial.

We have provided operational support by, among others, transferring our offline campus borrower engagement team to the joint venture. Accessible through the Alipay consumer interface, QuCampus' services cover various aspects of the daily life of college students, including those related to academia, social connection, networking and other campus life related services. Through their mobile devices, users of QuCampus are able to carry out activities such as paying their tuition and living expenses, searching for part-time jobs, finding deals and coupons for restaurants and merchandises, selling second-hand goods and raising funds for student organizations. Alipay will provide the joint venture with points of user traffic under the campus life channel on the Alipay consumer interface. We believe our extensive historical on-the-ground operational experiences and understandings as to the behavior, social needs and consumption preferences of college students across China enable the joint venture to better design and introduce relevant services. QuCampus earned a small amount of service fees from businesses that engage users through the QuCampus platform. Given its focus on college students, QuCampus offers a valuable user engagement channel for businesses that provide career services,

professional trainings or other services targeting students. QuCampus' cost consists primarily of salaries and benefits for its employees, and such cost is recognized on an accrual basis. We view the joint venture as a valuable opportunity to connect with young consumers outside of the context of credit facilitation, thereby gaining further insights as to the behavior, social needs and consumption preferences of such consumers. We believe such insights will enable us to improve terms of our credit products, identify attractive merchandise for the Qudian marketplace, refine our credit assessment model and risk management system and cultivate long-term customer relationships.

In addition to the above collaborations, we used to cooperate with Zhima Credit for their credit service and credit analysis collaboration. Under our agreements with Zhima Credit, Zhima Credit would provide us with credit analysis information of prospective users and we would also share insights into the application of data technology to our own credit analysis models with Zhima Credit. We have ceased to collaborate with Zhima Credit as the relevant agreements expired in September 2018. We also used to engage borrowers through different channels on the Alipay consumer interface, and we ceased to engage borrowers through such interface in July 2019.

Our Merchandise Suppliers

We operate the Qudian marketplace, an online marketplace where consumers purchase merchandise offered by third-party merchandise suppliers with our merchandise credit products. We currently collaborate with more than 200 merchandise suppliers, including leading consumer brands and their authorized distributors to offer in demand merchandise from over 4,000 brands with relatively high price points, such as iPhones and other mobile phones, tablets and computers, on the Qudian marketplace. Our product offerings also include consumer electronics, home appliances, watches and accessories, sports and outdoor merchandise and luggage. We believe we enable leading consumer brands and their authorized distributors/retailers to reach a large customer base who previously may not have sufficient resources to purchase products from these brands and their authorized distributors/retailers, thereby increasing demand for their merchandise. As of December 31, 2019, there were over 500,000 SKUs offered on the Qudian marketplace.

We have implemented a strict and systematic selection process for merchandise and suppliers. We have established a dedicated merchandising team responsible for identifying potential merchandise and suppliers. We select merchandise on the basis of brands that we expect will resonate with our users. Once a potential product is identified, we conduct due diligence reviews on potential merchandise suppliers' qualifications based on our selection criteria, including performing background checks and examining relevant government permits and brand authorization and qualification certificates for their merchandise. We also evaluate their abilities to meet borrowers' demands for timely supply of merchandise and to provide high-quality after-sales customer service, as well as their product offering prices and scale of business.

We generally enter into framework supply agreements with merchandise suppliers annually based on our standard form contract. Such contracts set forth the price that we will remit to merchandise suppliers when borrowers purchase merchandise. Our standard form contract requires merchandise suppliers to represent that their merchandise are authentic and from lawful sources and do not infringe upon lawful rights of third parties and to pay us liquidated damages for any breach. As we serve as a sales and marketing channel that connects borrowers, as customers, and consumer brands and their distributors, as merchandise suppliers, our merchandise suppliers are responsible for order fulfillment. After sales services are also provided by merchandise suppliers, although our user service personnel handle initial customer queries and connect such customers with the respective merchandise suppliers. We typically request our merchandise suppliers to guarantee a minimum amount of inventory to ensure the supply of merchandise to borrowers. We constantly communicate with our merchandise suppliers to keep them informed of any changes to demand and to understand inventory level for merchandise offered on the Qudian marketplace. We do not carry any inventory.

We typically earn sales commission fee from merchandise suppliers when a borrower purchases their merchandise, and such fees comprise (i) the difference between the retail prices of the merchandise sold to

borrowers and the prices of the merchandise that we pay to the merchandise suppliers and (ii) rebates earned from merchandise suppliers. The sales commission fee we collect from our merchandise suppliers typically range up to 15% of the price of the relevant merchandise that we pay to the merchandise suppliers. Our merchandise suppliers currently grant us a credit period of three to 30 days after the date that a borrower purchases the relevant merchandise on the Qudian marketplace. We may also earn rebates from merchandise suppliers.

Credit Approval and Servicing Process

We believe that we provide a convenient and user-friendly credit application process, a credit assessment mechanism that accurately determines an applicant's creditworthiness and a superior overall user experience. Our proprietary credit assessment model and risk management system enables us to provide an automated online application process that aims to provide a simple, seamless and efficient experience to users. Prospective borrowers may complete the application and receive a decision on their application as quick as a few seconds. Once approved, we generally provide such prospective borrowers with both cash credit products and merchandise credit products. Approved borrowers are then able to draw down on their cash credit with funds available in their specified digital accounts within a few minutes or complete the purchase of merchandise on the Qudian marketplace utilizing their merchandise credit products.

We have created a simple and quick process for users to apply for small credit products under the loan book business as described below.

Stage 1: Online Credit Application

Our online credit application process begins with the submission of a credit application by a prospective borrower. A typical prospective borrower is a user who has already registered on Alipay, which requires the input of his or her real name, PRC identity card information and most frequently used mobile phone number for authentication. Given the significant coverage of Alipay in China, we believe most of the targeted borrowers have completed this part of registration process before applying for credit from us.

A registered Alipay user can apply for credit through our mobile apps. As part of the credit application process, the prospective borrower is asked to provide basic personal information that typically includes their name, PRC identity card information, mobile phone number and their authorization for us to run a credit background check and access to their GPS location while in use.

Stage 2: Data Aggregation and Verification

Upon receiving a completed application by a prospective borrower, our proprietary risk management system and fraud prevention system are populated with information from the submitted credit application, including, with authorization of the relevant users, credit analysis for such prospective borrower provided by third parties. For borrowers who have established certain credit histories with us, our credit assessment model places a strong focus on data from internal sources, such as such borrowers' repayment and delinquency record. This data is then used to verify applicants' identity and for fraud detection. We utilize restricted list searches provided by third-parties as well as our proprietary machine learning algorithms to screen for fraudulent applications. Applicants identified to present higher risk of fraud are declined by our fraud prevention system.

Stage 3: Credit Assessment

After completion of the data aggregation and verification process, the prospective borrower's application either proceeds to the next phase of the application process or the prospective borrower is notified of the decision that the application is declined.

Our proprietary credit assessment model has been powered by our massive database, including data from approximately 33.8 million accumulative applicants with approved credit line and approximately 19.0 million

cumulative borrowers that have accounted for approximately RMB268.8 billion cumulative amount of credit drawdowns facilitated as of December 31, 2019. Our proprietary data analytics and credit assessment model is optimized to fit the realities of the Chinese market and tailored for each channel through which we engage prospective borrowers, using big data and fast data from sources that target borrowers in China. Our credit assessment model uses our own scoring criteria, and is routinely monitored, tested, updated and validated by our risk management team. Following credit evaluation, our credit determination system makes a determination as to whether the applicant is qualified, and a qualified borrower receives short-term, unsecured amount of credit. The full amount of such credit represents such borrower's credit limit for merchandise credit products. A portion of the full amount represents the borrower's credit limit for cash credit products. Nonetheless, while borrower may utilize funds received under cash credit products for any purpose, merchandise credit products can only be used to fund purchases on the Qudian marketplace. Unqualified applicants are notified of the decision of their applications being declined, although such applicants are not prohibited from applying again in the future.

Building on the experience and data we have gained since our inception, we have developed a new credit assessment system, QD score, and we have started to apply such system to our small credit products since the fourth quarter of 2017. Continuously refined by machine learning algorithms and the high volume of transaction data we collect, QD score analyzes a large number of variables for each transaction and enables us to better differentiate between creditworthy borrowers and lower quality borrowers.

Stage 4: Credit Utilization

Once the credit application is approved, borrowers can request drawdowns under their respective credit. Upon receipt of a drawdown request, our credit assessment model and risk management system normally review the application and re-evaluate the creditworthiness of such borrower to ensure that he or she is qualified for the requested drawdown. If the credit profile of a prospective borrower changes, the credit limits for such borrower may vary. If the borrower has made the requisite payments in a timely manner, and there are unused credit remaining, the borrower may continue to utilize his or her credit, subject to our approval at the time of each drawdown request. Once the drawdown request is approved, we or our institutional funding partners, as applicable, will then fund credit to borrowers. Funding typically occurs in as quickly as a few seconds after a request for drawdown is made and approved. In the event we do not approve a drawdown request, we aim to notify the relevant customer of such decision within ten minutes after the request is made.

Stage 5: Servicing and Collection

We utilize an automated process to help borrowers to make their scheduled payments. Upon origination, we establish a payment schedule with payment occurring on a set business day each month or week. Borrowers then make scheduled repayments online, or authorize deduction from their specified digital accounts the amount of scheduled repayments. In 2019, most of the scheduled repayments were made automatically from the borrowers' specified digital accounts.

For borrowers who do not use the automated repayment process, we provide payment reminder services, such as sending reminders through text and instant messages on the day a repayment is due. Once a repayment is past due, we also send additional reminder text and instant messages during the first two calendar days of delinquency.

Our collection efforts extend to every delinquent borrower under our loan book business. Our collection strategies are divided into different categories, which dictate the types of collection methods we use, based on the severity of delinquency and the borrower's "C card score." The C card score analyzes borrowers' personal information, such as gender, age, residence, education, occupation and marriage status, QD score and other credit history and related information. We use different collection methods tailored to borrowers with different C card scores to optimize the efficiency of our collection effort. For example, our collection system may determine whether to remind borrowers through text, instant messages, automated voice calls or phone calls and the

frequency of such reminders. We inform the relevant borrowers of the adverse impact of delinquencies on their credit histories, which may convince such borrowers to pay the amounts past due. We may stop collection efforts when credit drawdowns are 180 calendar days overdue and collection attempts have reached a certain number. In the event of (i) death of the borrower, (ii) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments or (iii) the amount remained outstanding 180 calendar days past due and therefore deemed uncollectible, we will charge off the relevant outstanding amount. Substantially all of our charge-offs since our inception were due to amounts that remain outstanding 180 calendar days past due and therefore deemed uncollectible.

The following table sets forth the amount of delinquent principal and financing service fees for on-balance sheet transactions we successfully recovered through our collection efforts during the periods presented, as a percentage of the balance of outstanding principal and financing service fees past due for on-balance sheet transactions as of the end of the periods presented:

	Year Ended December 31,		
	2017	2018	2019
Percentage of delinquent principal and services fees for on-balance sheet transactions recovered	44.2%	79.4%	37.6%

In addition to our own collection efforts, we have engaged other parties to conduct debt collection for us from June 2016 to October 2016, as we explored various methods of collection. Such parties have collected a total of approximately RMB150 thousand for us during the period. As we viewed cooperation with such parties to be ineffective, we have since terminated such cooperation.

E-commerce Business

We launched Wanlimu, an online luxury fashion products platform, in March 2020. Wanlimu caters to the strong demand of China's middle- and high-income consumers for luxury products from global fashion brands. We source high quality fashion products from Europe and other parts of the world and offer them to Chinese consumers at competitive prices.

We aim to provide a one-stop online fashion shopping experience, and consumers can purchase a broad range of skin care products, bags, apparel, shoes and accessories on Wanlimu. We carefully curate our merchandise offerings to reflect the current fashion trends and consumer preferences. As of March 31, 2020, more than 8,600 SKUs from over 50 global luxury brands were available on Wanlimu. We plan to expand the merchandise offerings on Wanlimu to better satisfy consumers' demand for high quality fashion products.

Users can access Wanlimu through the Wanlimu mobile application or our mini program on Wechat. All steps of the purchase process can be completed on mobile phones, such as selecting merchandise, placing orders and tracking fulfillment status.

We believe consumer trust is critical to the success of Wanlimu, and we undertake rigorous measures to ensure the authenticity of the merchandise we sell. We only cooperate with reputable suppliers, such as major operators of duty free shops and the self-operated sales channels of luxury brands. We have a dedicated team that is responsible for product inspection. In addition, we have collaborated with a third-party professional inspector to evaluate the authenticity of merchandise we source.

We have established a fulfillment network with nationwide coverage in China. We engage reputable third-party logistics companies to ensure reliable and timely delivery. In some cases, consumers are able to receive merchandise two days after placing orders on our platform.

Our Information Technology and Security

Overview

Our network is configured with multiple layers of security modules to isolate our databases from unauthorized access. We use sophisticated security protocols for communication among applications and we encrypt private information, such as an applicant's identification number. Our technology infrastructure is fully deployed, and our data is entirely maintained, on a customized cloud computing system comprised of approximately 1,358 cloud-based servers and 287 databases. As testimony to the flexibility and scalability of our technology infrastructure, we currently processes approximately 22,600 transactions per hour and 118 terabytes data per day. We have multiple layers of redundancy to ensure reliability of our systems and services. We also have a working data redundancy model with comprehensive backups of our databases and software.

Our technology and product development department, which comprised 269 employees as of December 31, 2019, including core team members with extensive experiences with leading Internet, online retail and mobile commerce and fintech companies in China, focuses on the following that support our long-term business growth:

- maintaining and strengthening our proprietary data and analytics systems, including our decisioning engine, proprietary risk management system and fraud prevention system; and
- ensuring our technology system, including front-end and back-end management systems, collection systems, financial systems, security protocols and business continuity plans are well established, reviewed, tested and continuously strengthened.

Technology System

Our proprietary technology system, which supports all key aspects of our online platform, is designed to optimize for scalability and flexibility. The system is designed to handle the large volume of data required to evaluate a large number of prospective borrower applications quickly and accurately and to manage a large number of borrowers yet flexible enough to capitalize on changing user preferences, market trends and technological advances. Our software development life cycle is rapid and iterative to increase the efficiency and capacity of our system. We are able to implement software updates while maintaining our system stability. We continually employ technological innovations to improve our technology system, which performs a variety of integrated and core functions, including:

- *Financial systems.* Systems that manage the external interface for funds transfers, including integration of our system with those of the institutional funding partners to ensure a seamless experience for the borrowers and the institutional funding partners, as well as for the management of daily financial and accounting, reconciliation and reporting functions. Such systems include, among others:
  - *Transaction syndication and clearing system.* We have developed a highly automated transaction syndication and clearing system that is capable of rapidly facilitating a massive number of transactions under a diverse array of funding arrangements. We currently processes approximately 22,600 transactions per hour and 118 terabytes data per day. The system has been seamlessly integrated with the systems of more than 100 licensed institutional funding partners, including banks. For a small credit application that can be funded by a single funding source, it automatically selects the proper funding source for each credit drawdown based on the large number of funding criteria specified by our institutional funding partners. For a large credit application, it can syndicate the credit commitment among us and our institutional funding partners based on their funding criteria. The system also separates payments from borrowers into the relevant categories, namely, principals, financing service fees, fees payable to institutional funding partners and penalty fees on a real-time basis and settles with the relevant funding partners on a same-day basis. The system adapts to new funding arrangements quickly. For example, it typically takes two days to complete the configuration for a new trust and two weeks to do so for a new off-balance sheet funding arrangement with a bank. The advanced and efficient

system allows us to quickly match demand with institutional funding with appropriate risk appetite, thereby providing credit to consumer instantaneously.

- *Liquidity forecast system.* The system provides real-time forecasts on our funding needs by monitoring the fund inflows and outflows, and such forecasts are valuable information for us to manage liquidity.

- *Security.* We collect and store personally identifiable user information, including names, addresses, identification information and financial accounts information for the sole purpose of individual credit assessment. We retrieve this information with user's consent and have safeguards designed to protect such information, including the application of Advanced Encryption Standard, or AES. We store our data in encrypted form, which offers an additional layer of protection. We also verify data interchange with our institutional funding partners using digital signatures, which enhances the security of such interchange. We also have created controls to limit employee access to such information and to monitor access.
- *Front-end systems.* Include external interfaces and mobile apps that users use when applying for credit and managing their accounts.
- *Back-end management systems.* Our back-end systems include, among other things, our user credit and repayment management system, merchandise procurement system, merchandise management system and user information management system.
- *Collection systems.* Primarily include contract management system, operational and marketing management system and automated phone system.

Marketing and Borrower Engagement

Our marketing efforts are designed to attract and retain borrowers and build brand awareness and reputation. Our marketing efforts are primarily online, and we use an array of online marketing channels to attract borrowers. In addition to engaging borrowers through our mobile applications, we also utilize other leading Internet and mobile platforms in China, including leading Android app stores in China and Apple App Store, to obtain qualified leads for prospective new borrowers. We do not currently pay any fees to acquire leads through Android app stores and Apple App Store. We employ and continually optimize the relevant key words associated with our apps to enhance users' ability to find our apps in such stores.

Furthermore, we believe reputation and word-of-mouth referral will also drive continued organic growth in borrowers. We believe once borrowers are satisfied with their experiences, they will continue to utilize our credit for other needs or to make other purchases on the Qudian marketplace, or referring their friends and colleagues to our credit products.

We have established two brands through which our small credit products were marketed, Laifenqi and Qudian. We ceased to offer small credit products through our Qudian brand in August 2019 as we streamlined our business and started to develop our transaction services business. We leverage and position our brands to better target and engage prospective borrowers. We have historically marketed our Laifenqi brand to focus on offering cash credit products to prospective borrowers. On the other hand, we have historically marketed our Qudian brand as the destination for the purchase of merchandise through merchandise credit products. We believe our cash credit products will continue to help us engage targeted quality borrowers to whom we may offer merchandise credit and other products in the future.

Competition

The online consumer finance industry in China is intensely competitive and we compete with other consumer finance service providers in general. We compete with other financial products and companies that

attract borrowers, institutional funding partners or both. For example, with respect to borrowers, we compete with other consumer finance service providers, including online consumer finance services, such as JD Finance, 360 Finance, WeBank and Huabei and Jiebei of Ant Financial, as well as traditional financial institutions, such as banks and consumer finance companies. Principal methods of competition include enhancing data analytics capabilities, engaging borrowers cost effectively and strengthening funding sources. With respect to institutional funding partners, we primarily compete with other investment products and asset classes, such as equities, bonds, investment trust products, bank savings accounts and real estate. We believe that we are able to offer attractive returns with low investment thresholds not available from other asset classes.

As evidenced by our market leadership, we believe that our innovative technology platform and our ability to offer personalized and affordable credit products make us more attractive and efficient to both borrowers and institutional funding partners, providing us with a competitive advantage. In light of the low barriers to entry in the online consumer finance industry, more players may enter this market and increase the level of competition. We anticipate that more established Internet, technology and financial services companies that possess large, existing user bases, substantial financial resources and established distribution channels may also enter the market in the future. We believe that our brands, scale, network effects, historical data and performance record provide us with competitive advantages over existing and potential competitors.

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 52 trademarks in the PRC for "□□", "Qufenqi" and other trademarks. We also have 19 trademarks under application in the PRC. We are the registered holder of 52 domain names in the PRC that include qudian.com and laifenqi.com. We were also granted 94 copyrights that corresponding to our proprietary techniques in connection with our systems.

Seasonality

We experience seasonality in our business, reflecting a combination of seasonality patterns of the retail market and our promotional activities. In recent years, many online and offline retailers in China hold promotions on November 11 and December 12 of each year, which drives significant increase in retail sales. Higher retail sales during the shopping seasons may generate greater demand for our credit products. As a result, we typically record higher total revenues during the fourth quarter of each year compared to other quarters. On the other hand, our total revenues for the first quarter tend to be lower due to the Chinese New Year holiday that generally reduces borrowing activities. In addition, we hold promotional campaigns on March 21 (our anniversary), November 11 and December 12 by charging lower financing service fees, which may also increase the number of borrowers who utilize our credit products and thus increase our total revenues for the relevant periods.

Overall, the historical seasonality of our business has been mild due to our rapid growth but may increase further in the future. Due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

Insurance

We provide social security 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 property insurance policies covering our equipment and other property that are essential to our business operation to safeguard against risks and unexpected events. 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.

Regulation

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 Foreign Investment Restrictions

The 2019 Law of Foreign Investment was adopted at the second meeting of the thirteenth National People's Congress on March 15, 2019, which became effective on January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Law of Foreign Investment of the PRC, which came into effect on January 1, 2020. The 2019 Law of Foreign Investment and its implementation regulations replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The 2019 Law of Foreign Investment stipulates that the PRC government implements a system of pre-establishment national treatment plus negative list for the administration of foreign investment. Foreign investors are not allowed to invest in fields or sectors prohibited in the market access negative list for foreign investment. Foreign investors that intend to invest in the fields subject to access restrictions stipulated in market access negative list for foreign investment shall satisfy the conditions stipulated in such negative list. The PRC government's policies supporting enterprise development are equally applicable to foreign-invested enterprises. The PRC government does not impose expropriation on foreign investment. Under special circumstances, if it requires imposing expropriation on foreign investment due to the need of public interest, expropriation shall be imposed according to legal procedures, and the foreign-invested enterprises concerned shall receive fair and reasonable compensation. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds and other securities in accordance with the law.

Investment activities in the PRC by foreign investors are principally governed by the Provisions for Guiding the Foreign Investment Direction, or the Guiding Provisions promulgated by the State Council on February 11, 2002. According to the Guiding Provisions, industries in the PRC are classified into four categories namely, "permitted foreign investment industries", "encouraged foreign investment industries", "restricted foreign investment industries" and "prohibited foreign investment industries". The "encouraged foreign investment industries", "restricted foreign investment industries" and "prohibited foreign investment industries" are stipulated in the Guidance Catalog of Industries for Foreign Investment, 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. Those industries which do not fall within any of these three categories stipulated in the Catalog are regarded as "permitted foreign investment industries" and open to foreign investment unless specifically restricted by other PRC regulations. Industries such as VATS (other than e-commerce, domestic multi-party, communication, store-and-forward and call center) are restricted to foreign investment.

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition), or the List, which was promulgated jointly by the MOFCOM and the NDRC on June, 2019 and became effective on July , 2019, and replaced the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) has listed the special administrative measures for foreign investment in certain industries in the PRC, including requirements on ownership percentage, senior management and etc. The industries that do not fall within the List are administered under uniform principles for domestic and foreign investment. According to the List, the value-added telecommunications services business (excluding e-commerce business, domestic multi-party communications, store-and-forward and call center) is subject to restrictions on percentage of foreign ownership (not exceeding 50 percent).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 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 conduct our value-added telecommunications businesses through our consolidated VIEs.

Regulations Related to VATS

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 Catalog was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added. In February 2003, December 2015 and June 2019, the Telecom Catalog 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.

In September 2000, the State Council issued the Administrative Measures on Internet Information Services, which was amended in January 2011. Internet information service is a kind of information service categorized as a VATS in the current Telecom Catalog attached to the Telecommunications Regulation as most recently updated in December 2019. Pursuant to these measures, "Internet information services" refers to the provision of information through the Internet to online users, and are divided into "commercial Internet information services" and "non-commercial Internet information services." A commercial Internet information services operator must obtain a VATS license for Internet information services, or the ICP license, from the relevant government authorities before engaging in any commercial Internet information services operations in China, while the ICP license is not required if the operator will only provide Internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, the ICP license has a term of five years and can be renewed within 90 days before expiration.

Beijing Happy Time, one of our consolidated VIEs, and Qufenqi (Beijing) Information Technology Co., Ltd, a subsidiary of Beijing Happy Time, have both obtained ICP licenses for provision of commercial Internet information services issued by Beijing Telecommunication Administration in February 2019 and March 2019, respectively. In addition, Xiamen Qudian Culture and Technology, Xiamen Qudian and Xiamen Qu Plus Plus have obtained ICP licenses for provision of Internet information services issued by Fujian Telecommunication Administration in December 2018, September 2019 and November 2019, respectively. As the implementing rules of the Administrative Measures on Telecommunications Business Operating Licenses or the Telecom Catalog have not been published, it remains uncertain as to how the "commercial Internet information services" and "non-commercial Internet information services" are interpreted and distinguished, and whether online consumer finance service providers like us will be deemed as commercial Internet information service operator, or operators of online data and transaction processing, therefore there is uncertainty as to whether any or all of our consolidated VIEs, or the subsidiaries of our consolidated VIEs need to obtain ICP licenses, or VATS license for online data and transaction processing services, or any other VATS licenses in order to be in full compliance with regulatory requirements with respect to VATS.

In addition to the Telecommunications Regulations of the People's Republic of China and other regulations above, provision of commercial Internet information services on mobile Internet applications are regulated by the Administrative Provisions on Information Services of Mobile Internet Applications, which was promulgated by the State Internet Information Office on June 28, 2016. The information service providers of mobile internet applications are subject to requirements under the Administrative Provisions on Information Services of Mobile Internet Applications, including acquiring relevant qualifications required by laws and regulations and being responsible for management of information security.

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 Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in December 2011, an Internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of a user and it must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An Internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, the Internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority. In addition, 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 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, 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. An Internet information service provider 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. An Internet information service provider 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 Internet information service provider 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.

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 improve technology security standards, and safeguard customer and transaction information. The Internet Finance Guidelines also prohibit Internet finance service providers from illegally selling or disclosing customers' personal information. The PBOC and other relevant regulatory authorities will jointly adopt the implementing rules. 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 Internet service provider 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.

The Network Security Law is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, Internet information services providers, take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Network Security Law emphasizes that any individuals and organizations that use networks is required to comply with the PRC Constitution and laws, abide by public order and cannot endanger network security or make use of networks to engage in unlawful activities such as endangering national security, economic order and social order, and infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of other people. The Network Security Law has reaffirmed the basic principles and requirements as specified in other existing laws and regulations on personal information protections, such as the requirements on the collection, use, processing, storage and disclosure of personal information, and internet service providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged or lost. Any violation of the provisions and requirements under the Network Security Law may subject the Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

On December 29, 2017, the Information Security Technology Personal Information Security Specification (GB/T 35273-2017), or the Specification, was issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardization Administration and will be replaced by the 2020 Specification issued by the State Administration for Market Regulation and the Standardization Administration jointly which will take effect on October 1, 2020. Pursuant to the Specification, product and service providers should take technical and other necessary measures to ensure the safety of personal information, clearly demonstrate the purpose, approaches and scope of processing the personal information to the individual and acquire the authorization. In addition, according to the 2020 Specification, personal biometric information should be stored separately from personal identity information and in principle, the original personal biometric information should not be stored; besides, it further requires that the privacy policy is to disclose the scope and rules of personal information collection and use by the personal information controller, which should not be regarded as a contract signed by the subject of personal information.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the Ministry of Public Security, the State Administration for Market Regulation and the MIIT jointly issued the Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps, or the Announcement. According to the Announcement, from January to December 2019, four authorities abovementioned shall organize special crackdown against the illegal collection and use of personal information all over the country. App operators shall strictly fulfill their obligations regulated in the Cybersecurity Law when collecting and using personal information, and they shall be responsible for the security of personal information obtained and take effective measures to strengthen personal information protection. The App operators shall, by following the principles of lawfulness, legitimacy and necessity, not collect personal information that is not related to the services provided; when collecting personal information, they shall display the rules for the collection and use of personal information in an easy-to-understand, simple and clear manner, and personal information subjects shall independently choose consents; they shall not force the users to make authorization in the forms of default, bundling, stopping installation and use, etc., and may not collect personal information in violation of laws and regulations or against the agreements with users. It is advocated for App operators to provide users with the options to refuse to receive targeted pushes when they push news, current affairs and advertisements to targeted users.

On March 13, 2019, the State Administration for Market Regulation and the Office of the Central Cyberspace Affairs Commission jointly issued the Announcement on Launching the Security Certification of Apps, which encourages app operators to voluntarily pass the security certification of apps, and encourages search engines and app stores to clearly identify and give priority to recommending those certified Apps. On November 28, 2019, the Cyberspace Administration of PRC and other three authorities jointly issued the Announcement on Identification method of App Collecting and Using Personal Information in Violation of Laws and Regulations, which provides reference for determining the unlawful collection and usage of personal information via Apps.

On April 10, 2019, the Ministry of Public Security issued the Guide for Internet Personal Information Security Protection, which sets out the management mechanism, security technical measures and business processes for personal information security protection. This Guide is applicable for personal information holders to carry out security protection work during personal information life cycle processing. It is applicable to enterprises that provide services through the Internet, and also to organizations or individuals who use a private or non-networked environment to control and process personal information.

On February 13, 2020, the People’s Bank of China issued the Personal Financial Information Protection Technical Specification, which is an industry standard, to specify the security protection requirements for all aspects of personal financial information life cycle processing, including collection, transmission, storage, use, deletion, and destruction. This standard is applicable for financial industry institutions to provide financial products and services, and also provides a reference for security assessment agencies to conduct security inspections and assessments. According to the potential impact caused by unauthorized viewing or unauthorized

change of financial information, this standard classifies personal financial information into three categories of C3, C2, and C1 from high to low sensitivity, and different requirements are put forward for the whole life cycle processing of all kinds of information according to different categories.

In providing our online consumer finance service, we collect certain personal information from borrowers, and also need to share the information with our business partners such as institutional funding partners for the purpose of facilitating credit to borrowers. 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. We have not received any investigation or punishment for data breach issues from the PRC regulatory agencies except for one notification from an APP Special Crackdown Working Group consisted of the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation in July 2019. The notice required Beijing Happy Time to make rectification to conduct certain corrections to the private policy of the Laifenqi APP to be in compliance with the Announcement. On acceptance of the notice, we have since carried out improvements and corrections as required, including correcting the private policy of Laifenqi APP, updating Laifenqi App and submitting the rectification report to APP Special Crackdown Working Group to comply with certain requirements under the Announcement. Since, there is uncertainty as to how the network security requirements for maintaining network security and protecting customers' 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.

Regulations Related to Loans and Intermediation

The PRC Contract Law governs the formation, validity, performance, enforcement and assignment of contracts. The PRC Contract Law requires that the interest rates charged under a loan agreement must not violate the applicable provisions of the PRC laws and regulations. In accordance with the Private Lending Judicial Interpretations issued by the Supreme People's Court of the PRC on August 6, 2015, which came into effect on September 1, 2015, private lending is defined as financing between individuals, legal entities and other organizations. Loans funded by financial institutions which are licensed by financial regulatory authorities are not private lending transactions. When private loans between individuals are paid by wire transfer, the loan contracts between individuals came into effect upon the deposit of funds to the borrower's account. If either the lender or the borrower is not a natural person, the loan contracts become applicable effective upon execution of the loan contract, unless otherwise agreed by the parties or otherwise provided by laws and administrative regulations. In the event that the loans are made through an online consumer finance lending platform and the platform only provides intermediary services, the courts will dismiss the claims of the parties concerned against the platform demanding the repayment of loans by the platform as guarantors. However, if the online consumer finance service provider guarantees repayment of the loans as evidenced by its web page, advertisements or other media, or the court is provided with other proof, the lender's claim alleging that the online consumer service provider assumes the obligations of a guarantor will be upheld by the courts. The Private Lending Judicial Interpretations also provide that agreements between the lender and borrower on loans with interest rates below 24% per annum are valid and enforceable. As to loans with interest rates per annum between 24% and 36%, if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the interest payment. If the annual interest rate of a private loan is higher than 36%, the excess will be void and will not be enforced by the courts.

Pursuant to the PRC Contract Law, a creditor may assign its rights under an agreement to a third party, provided that the debtor is notified. Upon due assignment of the creditor's rights, the assignee is entitled to the creditor's rights and the debtor must perform the relevant obligations under the agreement for the benefit of the assignee. In addition, according to the PRC Contract Law, an intermediation contract 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 our institutional funding partners, certain of which are online lending information intermediaries, with individual borrowers may constitute intermediary service, and our service agreements with borrowers and investors may be deemed as intermediation contracts under the PRC Contract Law. 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 Cash Loan Lending

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 that:

- The overall capital cost charged on a borrower, comprised of interests and fees, should be in compliance with the judicial interpretations by the Supreme People's Court of the PRC regarding interest rates in private lending; according to the Private Lending Judicial Interpretations, if the annual interest rate of a private loan is higher than 36%, the excess will be void and will not be enforced by the courts;
- A provider of cash loan shall not deduct interests, service fees, management fees or deposits from the loan principal or set excessive overdue interest, late fee or penalty interest;
- A bank may not outsource its core business functions, such as credit assessment and risk management, to third parties;
- A bank participating in loan facilitation transactions may not accept 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; and
- A bank may not permit its service provider in cash loan business to collect interest or fees from borrowers.

We adjusted the pricing of certain of our credit products in April 2017 to ensure that the annualized fee rates charged on all credit drawdowns do not exceed 36%.

We have entered into arrangements with several banks which directly fund credit drawdowns to borrowers. When a borrower defaults, we are obligated to repay the full overdue amount to the relevant bank. It remains uncertain how the regulatory authorities will interpret and enforce the requirements of Circular 141 under various circumstances. We have engaged in discussions with the banks, and we will assist them in satisfying their compliance needs as the regulatory framework evolves.

Regulations Related to Illegal High-interest Lending

On July 23, 2019, the Supreme People's Court of the PRC, the Supreme People's Procuratorate of the PRC, the Ministry of Public Security and Ministry of Justice of the PRC jointly issued the Opinions on Several Issues Concerning Handling Illegal Lending Criminal Cases, or the Illegal Lending Opinions. According to the Illegal Lending Opinions, providing loans to unspecified public regularly (meaning more than ten borrowers in any given two years) without necessary governmental approvals will constitute illegal lending practices, of which the provision of loans of annual interest rate (including nominal interest and fees charged to borrowers in combination) higher than 36%, under serious or very serious circumstances, is criminally punishable ("Illegal High-interest Lending"). The Illegal Lending Opinions also provides specific definition of "serious" and "very

serious" Illegal High-Lending. In comparison to previous administrative and judicial practices, the Illegal Lending Opinions criminalizes Illegal High-interest Lending practices at the first time. In addition, under the Illegal Lending Opinions, the collection of debts by means of violence is forbidden. Whoever gathers, instigates or hires others to forcibly collect debts by disturbing, pestering, beguiling, gathering a crowd to create momentum or otherwise, which does not constitute a crime independently, but the illegal lending has constituted the crime of illegal operation, shall be imposed a heavier punishment as the case may be in accordance with the provisions on the crime of illegal operation.

In an effort to comply with potentially applicable laws and regulations, we adjusted the pricing of its credit products in April 2017 to ensure that the annualized fee charged on all credit drawdowns rates (including interest and fees combined) do not exceed 36%. We do not believe the regulatory change represented by the Illegal Lending Opinions will materially affect its business.

Regulations Related to Online Peer-to-Peer Lending

On July 18, 2015, ten PRC regulatory agencies, including the PBOC, the MIIT and the CBRC, jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance, or the Internet Finance Guidelines. The Internet Finance Guidelines define "online peer-to-peer lending" as direct loans between parties through an Internet platform, which is under the supervision of CBRC, and governed by the PRC Contract Law, the General Principles of the Civil Law of the PRC, and related judicial interpretations promulgated by the Supreme People's Court. Online peer-to-peer lending institutions are required to specify their nature as information intermediaries, mainly provide information services for the direct lending between borrowers and lenders, and can neither provide credit enhancement services nor engage in illegal fund-raising.

On April 12, 2016, the General Office of the State Council issued the Implementing Scheme of Special Rectification of Risks in the Internet Finance Sector, which emphasizes that P2P platforms shall specify their nature as information intermediaries and can never engage in certain activities, including but not limited to, setting up capital pool, extending loans and illegal fund raising. In addition, without approval from competent regulator, P2P platforms shall not engage in financial business activities such as asset management, debt or equity transfer, and high-risk allocation in security markets. Furthermore, P2P platforms are required to segregate assets of lenders and borrowers in qualified banks as depositary institutions from their own assets.

On August 17, 2016, the CBRC, the MIIT, Ministry of Public Security and State Internet Information Office promulgated The Interim Measures for Administration of the Business Activities of Online Lending Information Intermediary Institutions, or the Interim Online Lending Information Intermediary Measures, to regulate the business activities of online lending information intermediary institutions. The "online lending" as specified in the Interim Online Lending Information Intermediary Measures refers to direct lending between peers, which can be natural persons, legal persons or other organizations, through Internet platforms, which we understand is equivalent to the "online peer-to-peer lending" as defined in the Internet Finance Guidelines. According to the Interim Online Lending Information Intermediary Measures, "online lending information intermediary institution" refer to financial information intermediaries that are engaged in the lending information business and directly provide peers, which can be natural persons, legal persons or other organizations, with lending information services, such as information collection and publication, credit rating, information interaction and loan facilitation between borrowers and lenders for them to form direct peer-to-peer lending relationships. The Interim Online Lending Information Intermediary Measures are only applicable to private lending transactions according to relevant interpretations by the China Banking Regulatory Commission. Loans funded by financial institutions which are licensed by financial regulatory authorities are not private lending transactions within the meaning of the Private Lending Judicial Interpretation issued by the Supreme People's Court of the PRC in August 2015.

The Interim Online Lending Information Intermediary Measures generally require that online lending information intermediary institutions shall not engage in credit enhancement services, direct or indirect cash

concentration or illegal fundraising, and stipulate a supervisory system and list the administrative responsibilities of different supervisory authorities, among others, the banking regulatory authority of the State Council and its dispatching offices are responsible for formulating a regulatory and administrative system for the business activities of online lending information intermediary institutions and to regulate the behaviors thereof, and the provincial-level governments are responsible for institutional regulation of the online lending information intermediary institutions within their respective jurisdictions. Furthermore, an online lending information intermediary institution and its branches are required, within 10 working days after obtaining the business license, to complete record-filing and registration with the local financial regulatory department of the place of the industrial and commercial registration by presenting relevant materials. After completing the record-filing and registration with the local financial regulatory authority, they are required to apply for an appropriate telecommunication business operation permit in accordance with relevant provisions of competent communication departments, and to include serving as an Internet lending information intermediary in its business scope. An intermediary institution that fails to apply for telecommunication business operation permit as required cannot carry out an online lending information intermediary business.

According to these Interim Online Lending Information Intermediary Measures, online lending information intermediary institutions cannot directly or indirectly engage in the following activities: (1) financing their own operations with the funds of lenders; (2) accepting or collecting directly or indirectly the funds of lenders; (3) providing lenders with a guarantee or promise to guarantee principal and interest thereon directly or in disguised form; (4) publicizing or promoting financing projects by themselves or by delegating or authorizing a third party at physical places other than by electronic means such as the Internet, landlines, mobiles etc.; (5) extending loans, except otherwise provided by applicable laws and regulations; (6) splitting the term of any financing project; (7) offering wealth management and other financial products by themselves to raise funds, and selling as agent bank wealth management, securities company asset management, fund, insurance or trust products and other financial products; (8) conducting asset securitization business or transferring of creditors' rights in the forms of assets packaging, asset securitization, trust asset, fund shares etc.; (9) engaging in any form of mixture, bundling or agency with other institutions in investment, agency in sale, brokerage and other business except as permitted by laws, regulations and relevant regulatory provisions on online lending; (10) falsifying or exaggerating the truthfulness and earnings outlook of financing projects, concealing the defects and risks of financing projects, making false advertising or promotion, etc. by using ambiguous words or other fraudulent means, fabricating or spreading false or incomplete information, impairing the business reputation of others or misleading lender or borrowers; (11) providing information intermediary services for the high-risk financing with the borrowed funds to be used for investment in stocks, over-the-counter fund distribution, futures contracts, structured funds and other derivative products; (12) engaging in a business such as crowd-funding in equity; and (13) other activities prohibited by laws and regulations. The Interim Online Lending Information Intermediary Measures also stipulate the following obligations as the business principles of online lending information intermediary institutions: (1) providing, in accordance with laws, regulations and contracts, lenders and borrowers with collection, arrangement, identification, screening and online publication of direct lending information as well as the relevant services such as credit assessment, matching between borrowing and lending, financing consulting and online dispute resolution; (2) conducting necessary examination of the qualification and eligibility of lenders and borrowers, authenticity of information as well as the authenticity and legitimacy of financing projects; (3) taking reasonable measures to prevent fraudulent behaviors and announcing and terminating relevant network-based lending activities in a timely manner upon discovery of any fraudulent behaviors or any other circumstances impairing the interests of lenders; (4) conducting continuously the activities for popularization of the knowledge and education of the risks of network-based lending, strengthening risk disclosure, guiding lenders to participate in network-based lending in small-amount and scattered manner and ensuring that lenders are fully aware of lending risks; (5) submitting relevant information in accordance with laws, regulations and relevant regulatory provisions on network-based lending, of which the information on creditors' rights and liabilities in connection with network-based lending shall be submitted to and registered with the relevant data statistical departments in a timely manner; (6) keeping proper custody of the data and transaction information of lenders and borrowers without deleting, tampering with, illegally selling or divulging the basic information and transaction information of lenders and borrowers; (7) performing according to law the

anti-money laundering and anti-terrorist financing obligations, such as client identity identification, suspicious transaction reporting, keeping the identity data and transaction records of clients, etc.; (8) cooperating with relevant departments in properly handling the work relating to preventing, investigating and punishing the finance-related illegal activities and crimes; (9) ensuring the work relating to the Internet information content management as well as network and information security pursuant to the relevant requirements; and (10) other obligations prescribed by the banking regulatory authority of the State Council and the provincial people's governments of the places of industrial and commercial registration. Furthermore, in offline physical locations, online lending information intermediary institutions shall not operate businesses other than risk management and necessary business processes such as information collection and confirmation, post-loan tracking and pledge management in accordance with online-lending regulations. Online lending information intermediary institutions shall, based on their risk management capabilities, set upper limits on the loan balance of a single borrower borrowing both from one online lending intermediary and from all online lending information intermediary institutions. In the case of natural persons, this limit shall not be more than RMB200,000 for one online lending intermediary and not more than RMB1 million in total from all platforms, while the limit for a legal person or organization shall not be more than RMB1 million for one online lending intermediary and not more than RMB5 million in total from all platforms. For the protection of investors and borrowers, the Interim Online Lending Information Intermediary Measures require that online lending information intermediary institutions (i) separate their own capital from funds received from lenders and borrowers and (ii) select a qualified banking financial institution as their funding depository institution, which shall perform depository and administration responsibilities as required. In addition, the Interim Online Lending Information Intermediary Measures provide for other miscellaneous requirements for online lending information intermediary institutions, including but not limited to, risk assessment and disclosure, auditing and authentication, industry association, reporting obligations, information security and disclosure and legal liabilities. Online lending information intermediary institutions established prior to the effectiveness of the Interim Online Lending Information Intermediary Measures have a transition period of twelve months to rectify any activities that are non-compliant with the Interim Online Lending Information Intermediary Measures, except with respect to criminal activity, which must be terminated immediately.

In February 2017, the CBRC released the Guidance on Depositary Business of Online Lending Funds, or Depositary Guidance, to regulate funds depositories for online lending information intermediary institutions. The Depositary Guidance defines depositories as commercial banks that provide online lending fund depository services, and stipulates that the depositories shall not be engaged in offering any guarantee, including: (i) offering guarantees for lending transaction activities conducted by online lending information intermediary institutions, or undertaking any liability for breach of contract related to such activities; (ii) offering guarantees to lenders, guarantying principal and dividend payments or bearing the risks associated with fund lending operations for lenders. The Depositary Guidance also stipulates certain conditions that must be met before depositories are entitled to develop an online lending fund depository business, including: (i) having a good credit record and not having been included on the List of Enterprises with Abnormal Operations or the List of Enterprises with Serious Illegal and Dishonest Acts; (ii) satisfying various requirements relating to the technological systems of such entity's depository fund business and general operations, including but not limited to assuming fund administration responsibilities and not outsourcing or assigning such entity's responsibilities to third parties to set up accounts, process trading information or verify trading passwords; and (iii) setting up special deposit accounts to hold online lending capital and sub-accounts for online lenders and borrowers as well as guarantors, and in order to assure fund security, use separate accounts to hold private capital of online lending information intermediary institutions. In addition, the Depositary Guidance prohibits depositories from outsourcing or assigning their responsibilities to set up capital accounts, deal with transaction information, verify trading passwords and various other services to third parties, provided, however, that certain cooperation regarding payment services with third-party payment companies and depository banks is permitted in accordance with clarifications by the CBRC. Apart from the requirements set forth in the Interim Online Lending Information Intermediary Measures and the Registration Guidance, the Depositary Guidance imposes certain responsibilities on online lending information intermediary institutions, including requiring them to enter into fund depository agreements with only one commercial bank to provide fund depository services, organize independent auditing

on funds depository accounts of borrowers and investors and various other services. The Depositary Guidance requires online lending information intermediary institutions to perform various obligations, and prohibits them advertising their services with the information of their depository except for in accordance with necessary exposure requirements. The Guidance also raises other business standards and miscellaneous requirements for depositories and online lending information intermediary institutions as well. Online lending information intermediary institutions and commercial banks conducting the online depository services prior to the effectiveness of the Guidance have a six-month grace period to rectify any activities not in compliance with the Guidance.

On December 8, 2017, the Office of the Leading Group for Specific Rectification against P2P Online Lending Risks issued the Circular on Specific Rectification and Inspection Relating to P2P Online Lending Risks, or Circular 57. Circular 57 requires local regulatory authorities to jointly inspect and evaluate as to whether an online lending information intermediary has complied with in the Interim Online Lending Information Intermediary Measures. An online lending information intermediary may not complete record-filing and registration until it receives joint approval from the local financial regulator and the local branch of the CBRC as to its rectification measures. Circular 57 prohibits four forms of credit transfers: (i) asset securitization or transfer creditor's rights in form of packaged assets, securitized assets, trust assets or fund shares; (ii) loans initially funded by a management member of related party and subsequently transferred to lenders on the P2P platform; (iii) wealth management products (whether with fixed terms or redeemable on demand) that are matched with transferred loans; and (iv) using creditor's rights from P2P platforms as pledge to borrow funds from other lenders. On the other hand, Circular 57 provides that infrequent transfers of loans among lenders are deemed to be in compliance with the relevant laws and regulations.

It has been reported that in May 2017, the PBOC and other PRC regulatory agencies issued the Notice on Further Effectively Conducting the Special Campaign on Reorganizing and Rectification in Respect of Risks Related to the Internet Finance Market, or Circular 119, which classified enterprises in the Internet finance market into "compliant enterprises," "enterprises to conduct rectifications" and "enterprises to be suspended." Circular 119 further stipulates various procedures to be taken with respect to these three types of enterprises, namely compliant enterprises, enterprises to conduct rectifications and enterprises to be suspended. According to the Circular 119 (as reported, same below), provincial government agencies should identify key market players engaged in internet financing and conduct on-site inspections. If finding business institutions involving in illegal operations, provincial government agencies should issue rectification notice to the institutions and require them to put together rectification plan and submit for review. An enterprise that has received rectification notices from government agencies, or an "enterprise to conduct rectifications" to promise, in its rectification plan, that it will not engage in any new non-compliant operations. Furthermore, such rectification plan shall provide a clear schedule for such enterprises to wind down and terminate all outstanding non-compliant business contracts and operations, which schedule in principal shall be no longer than one year, except if other specific regulations stipulate otherwise. Enterprise to conduct rectifications should report regularly to the government agencies of its rectification process, finish the rectification in accordance with the rectification plan, and apply for and accept review by government agencies. Enterprises which refuse to rectify non-compliant activities, or fail to pass rectifying inspections, or engage in significant non-compliance shall be shut down in accordance with relevant regulations. During the process of the Special Campaign, provincial government agencies shall ensure that the number of enterprises in the Internet finance market and relevant business scale in such province to decrease, which is sometimes referred to as the Institutional Dual Decrease.

It has been reported that according to Circular 175, the overarching objective of Circular 175 is for PRC government agencies to effect orderly exits of certain peer-to-peer direct lending marketplaces without inducing systematic risk in the financial system or causing significant social turbulence until only those marketplaces that are strictly in compliance with all relevant laws and regulations remain in operation in the peer-to-peer direct lending industry. Circular 175 classifies peer-to-peer direct lending marketplaces into (i) marketplaces on which investors are not fully repaid or that are otherwise unable to operate their businesses and (ii) marketplaces that have not been involved in such incidents, and the latter is further classified, based on the scale of their business

operations, into (a) shell companies with zero loan balance or loan origination for more than three months and marketplaces that no longer facilitate loan application and investment, or are otherwise not in operation, (b) small-scale marketplaces, which shall be determined based on factors including outstanding balance and number of borrowers by provincial governmental agencies, and (c) large-scale marketplaces, including marketplaces with high risks, and Normal Marketplaces that have not demonstrated any high-risk characteristics. In accordance with Circular 175, marketplaces with high risks include, for instance, marketplaces that fund loans to themselves or facilitate sham loans, marketplaces with unclear fund flows, marketplaces with massive negative publicity and complaints, marketplaces that refuse to or are reluctant to rectify non-compliant operations. Pursuant to Circular 175, except for Normal Marketplaces, other marketplaces shall exit the peer-to-peer lending industry or cease operation. Even for the Normal Marketplaces, Circular 175 requires to limit the scale of outstanding business and number of investors, which is sometimes referred as the Business Dual Decrease. The regulatory actions under such stringent regulation on P2P lending platforms have decimated P2P lending platforms, including many well-known or listed companies such as Yidai, LuFax, and China Rapid Finance (NYSE: XRF). As of December 31st, 2019, 18 provincial government agencies or internet financing associations have announced the exit plans of P2P lending platforms in their jurisdictions, among which Yunnan, Hebei, Sichuan, Chongqing, Henan, Shandong and Hunan have explicitly announced to clamp down all P2P lending businesses. On November 28, 2019, 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 Guidance of Transformation of Online Lending Information Intermediaries to Small Credit Companies, or Guidance 83, which further signals the fundamental goal of the PRC government to end of P2P business.

The aforementioned summaries of Circular 119 and Circular 175 are based on certain media reports, including alleged photocopies of Circular 119 and Circular 175 presented in such reports. We are aware that Circular 119 and Circular 175 have not been officially issued to the public by any government agencies, and therefore there are uncertainties as to the accuracy of the media reports, as well as the authenticity, meaning and application of Circular 119 and Circular 175.

We do not engage in direct loan facilitation between peers, which can be natural persons, legal persons or other organizations**.** While we facilitate loans that are directly funded by certain institutional funding partners such as banks, such companies are financial institutions licensed by financial regulatory authorities to lend. Facilitation of loans pursuant to our arrangements with such licensed financial institutions is not subject to the regulation set forth in the Interim Online Lending Information Intermediary Measures. As such, we do not consider our company as an “online lending information intermediary institution” regulated under the above regulations. However, we cannot assure you that the CBRC or other PRC regulatory authorities would not expand the applicability of the Interim Online Lending Information Intermediary Measures and regard us as an “online lending information intermediary institution.” In the event that we are deemed as an online lending information intermediary institution by the PRC regulatory authorities in the future, we may have to make registration with the local financial regulatory authority and apply for telecommunication business operating licenses if required by the competent authorities, and our current business practice may be considered to be not in compliance with the Interim Online Lending Information Intermediary Measures, and accordingly, our business, results of operations and financial position will be materially and adversely affected.

Regulations Related to Illegal Fund-Raising

Raising funds by entities or individuals from the general public must be conducted in strict compliance with applicable PRC laws and regulations to avoid administrative and criminal liabilities. The Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations promulgated by the State Council in July 1998, latest revised on January 8, 2011, and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising issued by the General Office of the State Council in July 2007 explicitly prohibit illegal public fund-raising. The main features of illegal public fund-raising include: (i) illegally soliciting and raising funds from the general public by means of issuing stocks, bonds, lotteries or other securities without

obtaining the approval of relevant authorities, (ii) promising a return of interest or profits or investment returns in cash, properties or other forms within a specified period of time, and (iii) using a legitimate form to disguise the unlawful purpose.

To further clarify the criminal charges and punishments relating to illegal public fund-raising, the Supreme People's Court promulgated the Judicial Interpretations to Issues Concerning Applications of Laws for Trial of Criminal Cases on Illegal Fund-Raising, or the Illegal Fund-Raising Judicial Interpretations, which came into force in January 2011. The Illegal Fund-Raising Judicial Interpretations provide that a public fund-raising will constitute a criminal offense related to "illegally soliciting deposits from the public" under the PRC Criminal Law, if it meets all the following four criteria: (i) the fund-raising has not been approved by the relevant authorities or is concealed under the guise of legitimate acts; (ii) the fund-raising employs general solicitation or advertising such as social media, promotion meetings, leafleting and short message service, or SMS, advertising; (iii) the fundraiser promises to repay, after a specified period of time, the capital and interests, or investment returns in cash, property in kind and other forms; and (iv) the fund-raising targets the general public as opposed to specific individuals. Pursuant to the Illegal Fund-Raising Judicial Interpretations, an offender that is an entity will be subject to criminal liabilities, if it illegally solicits deposits from the general public or illegally solicits deposits in disguised form (i) with the amount of deposits involved exceeding RMB1,000,000, (ii) with over 150 fund-raising targets involved, or (iii) with the direct economic loss caused to fund-raising targets exceeding RMB500,000, or (iv) the illegal fund-raising activities have caused baneful influences to the public or have led to other severe consequences. An individual offender is also subject to criminal liabilities but with lower thresholds. In addition, an individual or an entity who has aided in illegal fund-raising from the general public and charges fees, including but not limited to agent fees, rewards, rebates and commission, would constitute an accomplice of the crime of illegal fund-raising. In accordance with the Opinions of the Supreme People's Court, the Supreme People's Procurator and the Ministry of Public Security on Several Issues concerning the application of Law in the Illegal Fund-Raising Criminal Cases, administrative proceedings for determining the nature of illegal fund- raising activities is not a prerequisite procedure for the initiation of criminal proceeding concerning the crime of illegal fund-raising, and the administrative departments' failure in determining the nature of illegal fund-raising activities does not affect the investigation, prosecution and trial of cases concerning the crime of illegal fund- raising.

Regulation Related to Finance Lease

The Measures on the Administration of Foreign Investment in the Leasing Industry, or the Measures, were promulgated by the MOFCOM on February 3, 2005 and amended on October 28, 2015 to regulate the operations of foreign-invested finance lease businesses. The Measures apply to the establishment of foreign-invested enterprises by foreign investors such as foreign companies, enterprises and other economic organizations in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC to engage in the finance lease business as well as to carry out business activities. Under the Measures, the total assets of the foreign investors of a foreign-funded finance lease company may not be less than five million U.S. dollars. Foreign-invested finance lease enterprises must satisfy the following conditions: (i) the term of operation of a foreign-invested finance lease company in the form of a limited liability company shall not normally exceed 30 years; and (ii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years' experience in the business. Since our Company was converted from a limited liability company into a joint stock limited company in September 2015, the condition referred to in condition (i) above no longer applies to us as we have ceased to be a limited liability company.

Foreign-invested finance lease enterprises may conduct the following businesses: (i) finance lease business; (ii) leasing business; (iii) purchasing properties to be leased from PRC or overseas; (iv) residual disposal of and maintenance of leased properties; (v) consultancy and guarantee of lease transactions and (vi) other businesses approved by the examination and approval authority. "Finance lease business" refers to the trading activities in which a lessor, based on a lessee's designation with respect to the seller and the leased object, agrees to purchase

the assets underlying the leases from a seller and makes the leased object available to the lessee for use and collects rent thereon from the lessee. Foreign-invested finance lease enterprises may carry out finance lease activities by way of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing transactions. For the purpose of the Measures, the leasing property includes: (i) movable properties such as manufacturing equipment, telecommunication equipment, medical devices, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment; (ii) transportation equipment, such as airplanes, automobiles and ships; and (iii) intangible properties such as software and technology that are attached to the moveable properties and transportation equipment mentioned above, provided that the value of such attached intangible properties shall not exceed half of the value of the leased properties that can qualify as leased properties under a finance lease.

For the purposes of risk prevention and guaranteeing the security of business operations, generally, the risk assets of a finance lease company shall not exceed 10 times of the total amount of its net assets. The risk assets shall be determined based on residual assets, namely, the result after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the company.

A foreign-invested finance lease company shall submit the business operation report of the previous year and the financial statement of the previous year audited by an accounting firm to the MOFCOM no later than March 31 of each year.

The Administrative Measures of Supervision on Finance 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 finance lease enterprises. A finance lease company shall report, according to the requirements of the MOFCOM, the relevant data in a timely and truthful manner through the National Finance Lease Company Management Information System. Specifically, a finance 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 finance lease company shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance lease company that undergoes such changes shall go through approval and other procedures according to the relevant provisions. A finance lease company shall, within five business days after registering such changes, log into the National Finance Lease Company Management Information System to modify the above information.

Finance lease enterprises should use real entities, which have clear ownership and capable of generating revenue, as lessor to carry out the finance lease business. Finance 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. Finance lease enterprises must not carry out illegal fund-raising activities under the name of a finance lease company. According to the Administrative Measures, finance 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 finance 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 finance 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 finance 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 Finance Lease Companies, or the Circular, foreign-invested finance lease companies that failed to conduct substantive finance 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 finance 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 finance 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 Finance 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 finance 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 finance lease company, a finance lease company is allowed to engage in a side business which is related to its main business, private capital and independent third-party service providers are encouraged to incorporate the finance lease company and applications for filing or obtaining a license for business deals in medical devices for the finance lease company will be facilitated.

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 finance lease contracts including that finance 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 finance 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.

Our subsidiary Xiamen Qudian Financial Lease Ltd. has obtained the approval to operate finance lease business as issued by the MOFCOM.

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 have implemented 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 online consumer finance service providers 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 and 2013 respectively, and the Regulations for the Protection of Computer Software as promulgated on June 4, 1991 and revised on December 20, 2001, January 30, 2013, respectively. 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, 2013 and 2019 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.

Domain names are protected under the Administrative Measures on Internet Domain Names, which was promulgated by the MIIT on August 24 and became effective on November 1, 2017. 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, or LCL, which became effective as of January 1, 2008 and was revised in 2012. The LCL 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 LCL, employment contracts lawfully concluded prior to the implementation of the LCL 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 LCL but no written employment contract was concluded, a contract must be concluded within one month after the LCL’s implementation.

According to the Social Insurance Law promulgated by SCNPC and effective from July 1, 2011 and was revised in 2018, 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 basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and 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 and March 24, 2019, an employer is required to make contributions to a housing fund for 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 13, 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.

We have adopted the 2016 Equity Incentive Plan, under which we have the discretion to grant a broad range of equity-based awards to eligible participants. See "Item 6. Directors, Senior Management and Employees — B. Compensation — 2016 Equity Incentive Plan." We have advised the recipients of awards under our 2016 Equity Incentive Plan to handle foreign exchange matters in accordance with the Stock Option Rules. However, we cannot assure you that they can successfully register with SAFE in full compliance with the Stock Option Rules. Any failure to complete their registration pursuant to the Stock Option Rules and other foreign exchange requirements may subject these PRC individuals to fines and legal or administrative sanctions, and may also limit our ability to contribute additional capital to our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us or otherwise materially adversely affect our business.

Regulations Related to Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from Ganzhou Qufenqi and Xiamen Youxiang, which are wholly foreign-owned enterprises incorporated in

China, to fund any cash and financing requirements we may have. Prior to January 1, 2020 when the 2019 Law of Foreign Investment came into effect, the principal regulations governing distribution of dividends of foreign holding companies include the Wholly Foreign-invested Enterprise Law, issued in 1986 and amended in 2000 and 2016, and the Implementation Rules under the Wholly Foreign-invested 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, a wholly foreign-owned enterprise shall, upon payment of income tax on its profits pursuant to the provisions of China tax laws, make apportionment to its reserve fund as well as employees' bonus and welfare fund. The percentage to be apportioned to the reserve fund shall not be less than 10% of the after-tax profits; when the cumulative apportioned amount attains 50% of the registered capital, the enterprise may stop making apportionment. The percentage of apportionment to the employees' bonus and welfare fund shall be determined by the wholly foreign-owned enterprise. 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.

The 2019 Law of Foreign Investment was adopted at the second meeting of the thirteenth National People's Congress on March 15, 2019, which became effective on January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Law of Foreign Investment of the PRC, which came into effect on January 1, 2020. The 2019 Law of Foreign Investment and its implementation rule replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The regulations mentioned above in the Wholly Foreign-invested Enterprise Law will be no longer applicable. Under the 2019 Law of Foreign Investment, the organization form and structure and operating rules of foreign-funded enterprises are subject to the provisions of the Company Law of the People's Republic of China, the Partnership Enterprise Law of the People's Republic of China and other applicable laws. Therefore, under PRC laws and regulations, any companies within the PRC may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a PRC company is required to set aside at least 10% of its annual after-tax profits, if any, to fund the statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may or may not allocate certain portion of its after-tax profits to the discretional reserve fund. The statutory reserve fund and discretional reserve fund (if any) are not distributable as cash dividends.

Regulations Related to Taxation

Enterprise Income Tax

Under the Enterprise Income Tax Law, effective on January 1, 2008 and last amended on December 29, 2018, 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 of the Enterprise Income Tax Law, which took effect on January 1, 2008 and were last amended on April 23, 2019, 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 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. Furthermore, the State Administration of Taxation, or the SAT, promulgated the Announcement on Issues Concerning "Beneficial Owners" in Tax Treaties in February 2018, 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. This announcement also stipulates that where an applicant has the identity as a "beneficial owner," but the tax authority finds that the primary purpose test clause in tax treaties or the general rules on anti-tax avoidance in domestic tax laws shall apply, the general anti-tax avoidance investigation procedures may apply.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37, which was revised on June 15, 2018, to completely repeal SAT Circular 698 and the second paragraph of Section 8 of Bulletin 7. Under Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by a non-resident enterprise may be re-characterized and treated as a direct transfer of PRC taxable assets, if such transfer 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 SAT Circular 37, the amount of taxable income equals the remainder after deducting the net equity value from the equity transfer income. Equity transfer income means the consideration collected by the transferor from the equity transfer, including income in both monetary form and non-monetary form. Net equity value means the tax basis for acquiring such equity. The tax basis for the equity is the capital contribution costs actually paid by the equity transferor to a PRC resident enterprise at the time of the investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of such equity.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate with respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice on the Issues concerning the Application of the Dividend Clauses of Tax Agreements issued by the SAT on February 20, 2009, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. On August 27, 2015, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. SAT Circular 60 has been replaced by the Measures for the Administration of Non-resident Taxpayers' Enjoyment of Treaty Benefits, or SAT Circular 35, which was promulgated by the State Administration of Taxation on October 14, 2019 and became effective on January 1, 2020. SAT Circular 35 provides that non-resident taxpayers' enjoyment of treaty benefits shall be handled in the manner of "self-assessment, claim for and enjoyment of treaty benefits, and retention of relevant materials for review." If a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent files withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions of SAT Circular 35 and accept the follow-up administration of tax authorities. According to SAT Circular 81, and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the

primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

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 and was amended in 2019. 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.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs jointly issued the Announcement on Issuing Relevant Policies for Deepening the Reform of Value-Added Tax, which became effective on April 1, 2019. According to the above-mentioned Announcement, the current VAT rate of 16% related to certain categories of sale and imported goods will be reduced to 13%, and the current VAT rate of 10% related to other categories of sale and imported goods will be reduced to 9% from April 1, 2019. In addition, the scope of business VAT deductions will be expanded under the above-mentioned Announcement. Furthermore, the refund system of the period-end excess input VAT for trial implementation will be adopted from April 1, 2019. However, it may be difficult to predict the trends of the VAT rates in the future. We cannot assure you that the VAT rates will not be raised in the future, which could have a material adverse effect on our financial condition and results of operations.

Regulations Relating to E-Commerce

The Administrative Measures on Online Transactions issued by the State Administration for Market Regulation, or SAMR, on January 26, 2014 which became effective on March 15, 2014, or the Online Trading Measures. According to the Online Trading Measures, enterprises or other operators which engage in online commodities trading and other services and have been registered with SAMR or its local branches must make the information stated in their business licenses available to the public or provide links to their business licenses on their websites. Online distributors must adopt measures to ensure the safety of online transactions, protect online shoppers' rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient. Under the Online Trading Measures, e-commerce platform operators are required to examine, register and archive the identity information of the merchants applying for access to their platforms as sellers, and verify and update such information regularly. The Online Trading Measures also provide that e-commerce platform operators must make publicly available (i) the link to or the information contained in the business licenses of the merchants, in the case of business entities, or (ii) a label confirming the verified identity of the merchants, in the case of individuals. In addition, operators are prohibited from setting forth provisions in contracts or other terms that are not fair or

reasonable to consumers such as those excluding or restraining consumers' rights, relieving or exempting operators' responsibilities, and increasing the consumers' responsibilities, or conducting transactions in a forcible manner taking advantage of contractual terms or technical means. We are subject to such rules as a result of our online merchandise sales.

In March 2016, the State Administration of Taxation, or SAT, the Ministry of Finance and the General Administration of Customs jointly issued the Circular on Tax Policy for Cross-Border E-Commerce Retail Imports, which took effect in April 2016. Pursuant to this circular, goods imported through the cross-border e-commerce retail are subject to tariff, import value-added tax, and consumption tax based on the types of goods. Individuals purchasing any goods imported through cross-border e-commerce retail are taxpayers, and e-commerce companies, companies operating e-commerce transaction platforms or logistic companies are required to withhold the taxes.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-Commerce Law, which became effective on January 1, 2019. The E-Commerce Law sets forth a series of requirements on e-commerce platform operators. According to the E-Commerce Law, e-commerce platform operators shall verify and register platform merchants, and cooperate with the market regulatory administrative department and tax administrative department to conduct industry and commerce registrations and tax registrations for merchants. The e-commerce platform operators shall also prepare a contingency plan for cybersecurity events and take technological measures and other measures to prevent online illegal and criminal activities. The E-Commerce Law also expressly requires platform operators to take necessary actions to ensure fair dealing on their platforms to safeguard the legitimate rights and interests of consumers, including to prepare platform service agreements and transaction information record-keeping and transaction rules, to prominently display such documents on the platform's website, and to keep such information for no less than three years following the completion of a transaction. To legally handle intellectual property infringement disputes, upon receipt of the notice specifying preliminary evidence for alleged infringement, the platform operators are required to take necessary measures in a timely manner, such as deleting, blocking and disconnecting the hyperlinks, terminating transactions and services, and to forward notices to merchants on its platform. If an e-commerce platform operator fails to take necessary measures when it knows or should have known that a merchant on the platform infringes any third-party intellectual property rights, products or services provided by a merchant on its platform do not meet the requirements regarding personal or property safety, or any merchant otherwise impairs the lawful rights and interests of consumers, the e-commerce platform operator will be held jointly liable with the merchants on its platform.

The Law of the People's Republic of China on the Protection of Rights and Interests of Consumers, or the Consumer Protection Law, as amended on October 25, 2013, sets out the obligations of business operators and the rights and interests of the consumers. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. The amendment in 2013 further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on the businesses operating through the Internet. For example, when a consumer purchases products (including cosmetics and food) or accepts services via an online trading platform and his or her interests are prejudiced, if the online trading platform provider fails to provide the name, address and valid contact information of the seller, the manufacturer or the service provider, the consumer is entitled to demand compensation from the online trading platform provider. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing or ceasing damages, compensation, and restoring reputation, and could subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe.

Regulations Relating to Cross-border Trading

The Customs Law, effective as of July 1, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 17, 2016 and November 4, 2017, divides imported and exported items into "means of transports", "goods" and "articles" based upon the nature and purpose of such items. Under the Customs Law, "goods" and "articles" are not defined, but these concepts are clarified in the Implementation Regulations of Administrative Punishments Under the Customs Law, effective as of November 1, 2004. The regulation describes "articles" as postal items and travelers' luggage that are brought in and out of the PRC on an individual's person or luggage. When the quantity of articles is higher than a reasonable amount for personal use, it will be regarded as "goods". "Personal use" means that the traveler or consignee will use the items themselves or give the items as gifts, rather than selling or renting the items. "Reasonable amount" means the regular amount determined in accordance with the traveler or consignee's situation, purpose of travel and duration of stay.

The Foreign Trade Law, effective as of July 1, 2004 and amended on November 7, 2016, governs international trade in services and the import and export of goods and technologies. Under this law, goods and technologies are categorized as (i) permitted, which may be freely imported and exported, (ii) restricted, which require advance approval or (iii) prohibited, which may not be imported or exported at all. Furthermore, an "import and export trader", or any company or individual engaging in the import or export of goods or technologies, must register with the administrative department of foreign trade under the State Council or any of its authorized bodies in order to be qualified as a foreign trade business operator. According to current foreign trade laws, the Ministry of Commerce and its competent local branches are the authorized bodies to conduct qualification filings and registrations for foreign trade business operators.

The Customs Law requires that importers and exporters make true declarations of their goods and technologies to customs. The Imported and Exported Commodity Inspection Law, issued February 21, 1989 and amended on April 28, 2002, June 29, 2013, April 27, 2018 and December 29, 2018, also requires that certain items listed in the Catalog of Import and Export Commodities for Inspection, or the Customers Catalog, must be inspected by a commodity inspection organization authorized by the State Administration for Commodity Inspection before they can be exported. For import and export commodities not listed in the Customers Catalog, the commodity inspection authorities may conduct random inspections pursuant to the Measures for the Administration of Random Inspection of Import and Export Commodities, issued as of December 31, 2002 and amended as of April 28, 2018. Further, the Ministry of Commerce and the General Administration of Customs jointly adopted a mandatory licensing system for the export of certain merchandise, which exporters must comply with depending on the commodities they export.

The customs declaration, clearance and inspection procedures for goods and articles are different. The declaration of import or export of goods may be made by the consignees or consigners themselves or by customs brokers that have registered with the permission of the customs. The consignees, consigners or customs brokers shall make true declarations and submit the import or export license for restricted goods and relevant documentation to the customs for inspection. Where the commodities are imported or exported by means of express delivery, the consignees or consignor shall entrust an entry-exit express delivery enterprise with the inspection declaration, pursuant to the Regulations on the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection, effective as December 1, 2005 and amended on February 6, 2016, March 1, 2017 and March 2, 2019. In addition, a new information management system for express delivery consignments was established on November 30, 2018, according to the Announcement on Initiating the Application of the Information Management System for Inward and Outward Postal Items issued on November 8, 2018, requiring express delivery operators to collect data of each item of mail and submit it to the information management system.

On November 24, 2015, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China issued the Work Norms for Cross-border E-commerce Business Entities and Commodity Record Management, which became effect on January 1, 2016. Pursuant to the work norms, if a

cross-border e-commerce business entity develops a cross-border e-commerce business, it shall provide the inspection and quarantine institution with the business entity's record information.

On November 28, 2018, the Ministry of Commerce, National Development and Reform Commission, Ministry of Finance, General Administration of Customs, State Taxation Administration and State Administration for Market Regulation promulgated the Circular on Improving the Regulation of Cross-border E-Commerce Retail Imports, which took effect on January 1, 2019. Pursuant to this circular, cross-border e-commerce operator shall (i) engage a PRC-incorporated company as its domestic agent, (ii) be responsible for product quality and safety and its consumers' rights and interests, (iii) provide adequate disclosures to consumers, (iv) establish a risk prevention and control system and a quality assurance system for products that are subject to bonded import procedure, and (v) transmit real-time electronic transaction data to the customs.

The Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports, which was issued by General Administration of Customs on December 10, 2018 and has come into effect on January 1, 2019 requires that (i) enterprises participating in cross-border e-commerce retail importation and exportation business, such as cross-border e-commerce platform enterprises, logistics enterprises, payment enterprises, shall register with the customs at the locality pursuant to the relevant provisions on registration and administration of customs declaration; (ii) prior to declaration for cross-border e-commerce retail imports, the cross-border e-commerce platform enterprise or the domestic agent of cross-border e-commerce enterprise, the payment enterprise, and the logistics enterprise shall respectively transmit electronic information on transaction, payment and logistics through the international trade "single window" or the cross-border e-commerce customs clearance service platform to the customs, and bear the corresponding legal liability for veracity of the data; (iii) cross-border e-commerce platform enterprises carrying out cross-border e-commerce retail importation business and domestic agents of cross-border e-commerce enterprises shall verify the veracity of the transaction and the identity information of the consumer (purchaser), and bear the corresponding liability; where the identity information has not been authenticated by the state authorities in charge or the agency authorized thereby, the purchaser and the payor shall be the same person; (iv) for cross-border e-commerce retail imports, the customs shall levy customs duties and import value-added tax and consumption tax in accordance with state tax policies for cross-border e-commerce retail importation; the dutiable price shall be the actual transaction price, including the retail price of the goods, shipping fee and insurance premium, and the cross-border e-commerce platform enterprises, logistics enterprises or declaration enterprises registered with the customs shall be withholding agents, pay tax on behalf of the taxpayers, and bear the corresponding obligation to pay overdue tax and the relevant legal liability. Furthermore, on December 29, 2018, General Administration of Customs issued the Announcement on Matters Relating to Customs Registration and Administration for Cross-border E-commerce Enterprises, which has come into effect on January 1, 2019. Pursuant to the Announcement, cross-border e-commerce payment enterprises, logistics enterprises shall obtain the relevant qualification certificate pursuant to the provisions of the Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports and submit the relevant qualification certificate pursuant to the relevant provisions of the authorities in charge when completing customs registration formalities.

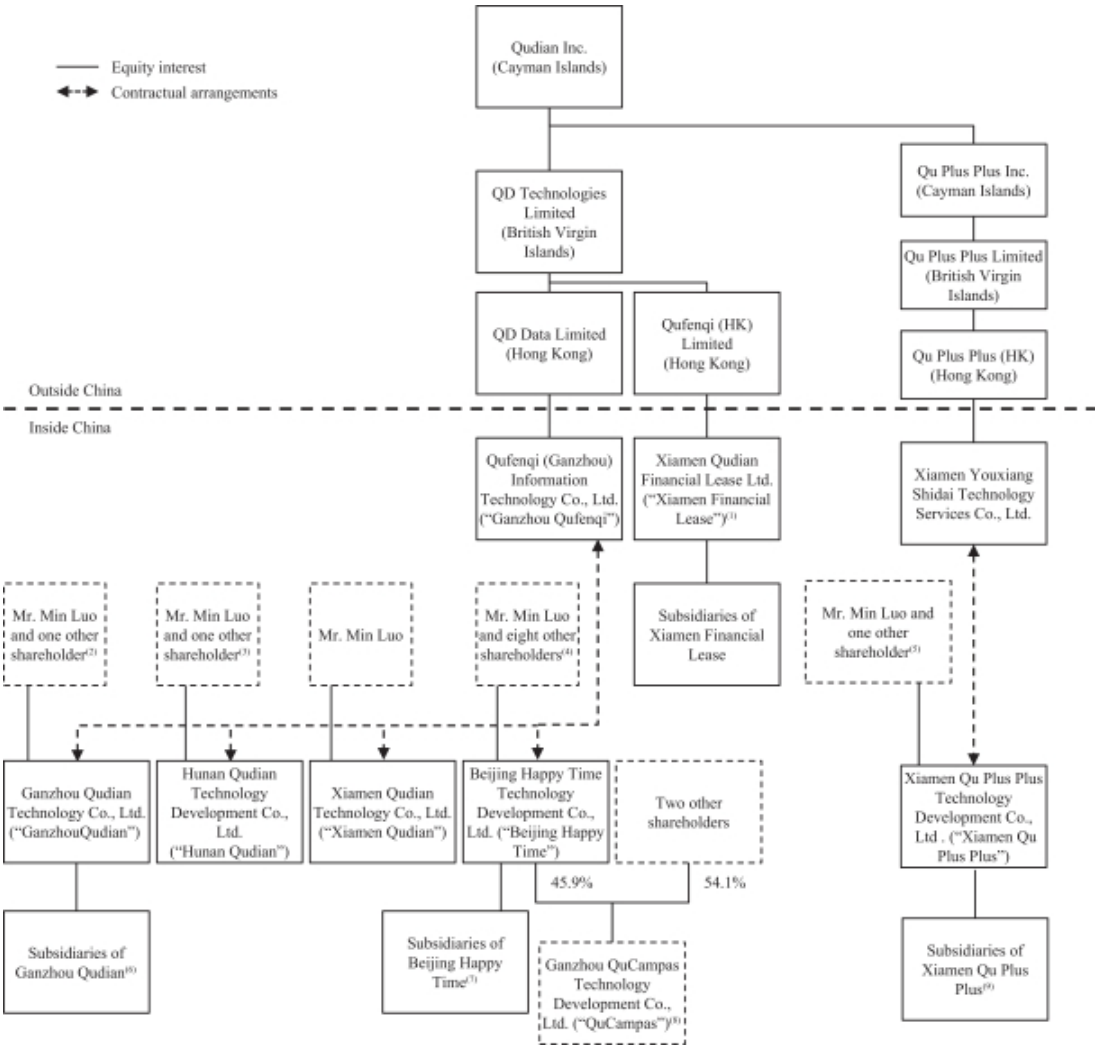
Regulations Related to M&A and Overseas Listings

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.

C. Organizational Structure

The following diagram illustrates our company's organizational structure, and the place of formation, ownership interest and affiliation of each of our principal subsidiaries and affiliated entities as of December 31, 2019. It omits certain entities that are immaterial to our results of operations, business and financial condition, such as Xiamen Weipujia, which do not currently engage in material business operations. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%. The relationships between each of Ganzhou Qudian, Hunan Qudian, Xiamen Weipujia, Xiamen Qudian and Beijing Happy Time and Ganzhou Qufenqi, and the relationship between Xiamen Youxiang and Xiamen Qu Plus Plus are governed by contractual arrangements and do not constitute equity ownership.



(1) Includes 17 subsidiaries of Xiamen Financial Lease located in various cities across China. Xiamen Financial Lease and its subsidiaries were primarily involved in operating Dabai Auto, our budget auto financing business. We ceased offering auto financing products in the second quarter 2019, and we plan to wind down certain subsidiaries of Xiamen Financial Lease.

(2) Mr. Min Luo, our founder, chairman and chief executive officer, and Mr. Lianzhu Lv, our head of user experience department, respectively hold 99.0% and 1.0% of equity interests in Ganzhou Qudian.

(3) Mr. Min Luo and Mr. Hongjia He, our vice president, respectively hold 99.0% and 1.0% of equity interests in Hunan Qudian.

(4) The following table sets forth the shareholders of Beijing Happy Time, their respective equity interests in Beijing Happy Time and their respective relationships with shareholders of Qudian Inc. as of the date of this annual report. For further information as to the principal shareholders of Qudian Inc., see "Item 6. Directors, Senior Management and Employees — E. Share Ownership."

Shareholders	Relationship with shareholders of Qudian Inc.	Amount of Registered Capital	Percentage of Equity Interests
		RMB	
Mr. Min Luo	Holds 100% equity interests in Qufenqi Holding Limited	5,025,579	21.0
Phoenix Auspicious Internet Investment L.P. and Shenzhen Guosheng Qianhai Investment Co., Ltd.	Affiliates of Phoenix Auspicious FinTech Investment L.P. and Guosheng (Hong Kong) Investment Limited (formerly known as Wa Sung Investment Limited), or Guosheng HK, collectively referred to as Phoenix Entities	4,596,670	19.2
Beijing Kunlun Tech Co., Ltd.	Affiliate of Kunlun Group Limited	4,587,496	19.2
Ningbo Yuanfeng Venture Capital L.P.	Affiliate of Source Code Accelerate L.P.	3,757,355	15.7
Shanghai Yunxin Venture Capital Co., Ltd.	Affiliate of API (Hong Kong) Investment Limited	2,985,744	12.5
Jiaxing Blue Run Quchuan Investment L.P. and Tianjin Blue Run Xinhe Investment Center L.P.	Affiliates of Ever Bliss Fund, L.P. and Joyful Bliss Limited, collectively referred to as Zhu Entities	1,681,366	7.0
Tianjin Happy Share Asset Management L.P., referred to as Tianjin Happy Share(a)	Not applicable	1,251,742	5.2

(a) Tianjin Happy Share was established in connection with the share incentive plan of Beijing Happy Time. For more information, see "Item 6. Directors, Senior Management and Employees — B. Compensation — 2015 Share Incentive Plan."

(5) Mr. Min Luo, our founder, chairman and chief executive officer, and Mr. Long Xu, our director, respectively hold 99.9% and 0.1% of equity interests in Xiamen Qu Plus Plus Technology Development Co., Ltd.

(6) Includes Xiamen Qudian Commercial Factoring Co., Ltd., Jiangxi Chunmian Technology Development Co., Ltd., Ganzhou Qudian Commerce Development Co., Ltd., Xiamen Junda Network Technology Co., Ltd. and Xinjiang Qudian Technology Co., Ltd., which we expect to utilize to explore new business opportunities.

(7) Material subsidiaries of Beijing Happy Time include, Fuzhou Happy Time Technology Development Co., Ltd., Ganzhou Happy Fenqi Technology Development Co., Ltd., Tianjin Happy Time Technology Development Co., Ltd., Tianjin Qufenqi Technology Co., Ltd., Ganzhou Happy Fenqi Network Service Co., Ltd., Ganzhou Happy Life Network Microcredit Co., Ltd. and Fuzhou High-tech Zone Microcredit Co., Ltd. Bejing Happy Time currently operates our websites and mobile apps under the Laifenqi brand and Qudian brand.

(8) QuCampus is owned approximately 45.9% by us, 44.1% by Ant Financial and 10.0% by Ganzhou Happy Share, a limited partnership established in connection with the share incentive plan to be established by QuCampus. Mr. Min Luo, our founder, chairman and chief executive officer, is the general partner of Ganzhou Happy Share. We do not consolidate the financial results of QuCampus in our consolidated financial statements.

(9) Includes Xiamen Wanlimu Technology Co., Ltd., which operates our Wanlimu platform, and another subsidiary.

Our Contractual Arrangements with Consolidated VIEs and Their Shareholders

Due to PRC legal restrictions on foreign ownership and investment in, among other areas, VATS, which include the operations of Internet content providers, or ICPs, we, similar to all other entities with foreign- incorporated holding company structures operating in our industry in China, currently conduct these activities mainly through Beijing Happy Time and its subsidiaries. We established three new consolidated VIEs, Ganzhou Qudian, Hunan Qudian and Ganzhou Qudian, in 2017. In addition, Xiamen Weipujia also became one of our consolidated VIEs in 2018 and Xiamen Qu Plus Plus became our sixth consolidated VIEs in 2019. We effectively control each consolidated VIE through a series of contractual arrangements with such VIE, its shareholders and Ganzhou Qufenqi or Xiamen Youxiang, as applicable, as described in more detail below, which collectively enables us to:

- exercise effective control over each of our consolidated VIEs and its subsidiaries;
- receive substantially all the economic benefits of each of our consolidated VIEs; 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 each of our consolidated VIEs when and to the extent permitted by PRC law.

In addition, pursuant to the resolutions of the board of directors of Qudian Inc. and/or the resolutions of all shareholders of Qudian Inc., the board of directors of Qudian Inc. or any officer authorized by such board shall cause Ganzhou Qufenqi and Xiamen Youxiang to exercise their rights under the power of attorney agreements entered into among Ganzhou Qufenqi or Xiamen Youxiang, as applicable, each of our consolidated VIEs and the nominee shareholders of each of our consolidated VIEs and the rights of Ganzhou Qufenqi and Xiamen Youxiang under the exclusive call option agreement between Ganzhou Qufenqi or Xiamen Youxiang, as applicable, and each of our consolidated VIEs. As a result of these resolutions and the provision of unlimited financial support from the Company to each of our consolidated VIEs, Qudian Inc. has been determined to be most closely associated with each of our consolidated VIEs within the group of related parties and was considered to be the primary beneficiary of each of our consolidated VIEs. We have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP.

In the opinion of Tian Yuan Law Firm, our PRC legal counsel:

- the ownership structures of Ganzhou Qufenqi, Xiamen Youxiang and our consolidated VIEs in China do not violate any applicable PRC law, regulation, or rule currently in effect; and
- the contractual arrangements among Ganzhou Qufenqi or Xiamen Youxiang, as applicable, each of our consolidated VIEs 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.

However, we have been further advised by our PRC legal counsel, Tian Yuan Law Firm, that there are uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. The 2019 Law of Foreign Investment became effective on January 1, 2020. The 2019 Law of Foreign Investment has replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The 2019 Law of Foreign Investment does not mention concepts including “de facto control” and “controlling through contractual arrangements,” nor does it specify the regulation on controlling through contractual arrangements. Specifically, it does not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the arrangements comprising our Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the 2019 Law of Foreign Investment stipulates that “foreign investment includes foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.” Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate

contractual arrangements as a way of foreign investment and our Contractual Arrangements will be regarded as foreign investment. If that is the case, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are subject to uncertainties. 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 "Item 3. Key Information — D. 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, Ganzhou Qufenqi or Xiamen Youxiang, as applicable, the applicable consolidated VIEs, and their respective shareholders.

Agreements that Provide Us with Effective Control over Our Consolidated VIEs and Their Subsidiaries

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements, the shareholders of our consolidated VIEs have pledged all of their equity interest in our consolidated VIEs as a continuing first priority security interest, as applicable, to respectively guarantee our consolidated VIEs and their shareholders' performance of their obligations under the relevant contractual arrangements, which include the exclusive business cooperation agreements, exclusive call option agreements and power of attorney agreements. If our consolidated VIEs or any of their shareholders breach their contractual obligations under these agreements, Ganzhou Qufenqi or Xiamen Youxiang, as applicable, as pledgee, will be entitled to certain rights regarding the pledged equity interests. In the event of such breaches, the rights of Ganzhou Qufenqi and Xiamen Youxiang include forcing the auction or sale of all or part of the pledged equity interests of the applicable consolidated VIE and receiving proceeds from such auction or sale in accordance with PRC law. Upon purchase of equity interests in the applicable consolidated VIE by other persons, Ganzhou Qufenqi or Xiamen Youxiang, as applicable, and such persons will need to enter into contractual arrangements that are similar to existing ones in order for Ganzhou Qufenqi or Xiamen Youxiang, as applicable, to effectively control such consolidated VIE. Each of the shareholders of our consolidated VIEs agrees that, during the term of the applicable equity interest pledge agreement, such shareholder will not dispose of the pledged equity interests or create or allow creation of any encumbrance on the pledged equity interests without the prior written consent of Ganzhou Qufenqi or Xiamen Youxiang, as applicable. Ganzhou Qufenqi and Xiamen Youxiang are entitled to all dividends and other distributions declared by our consolidated VIEs except as it agrees otherwise in writing. Each equity interest pledge agreement will remain effective until the applicable consolidated VIE and its shareholders discharge all their obligations under the contractual arrangements. We have registered pledges of equity interest in each of our consolidated VIEs with the relevant offices of the administration for industry and commerce in accordance with the PRC Property Rights Law.

Power of Attorney Agreements. Pursuant to the power of attorney agreements, each shareholder of our consolidated VIEs has irrevocably appointed the Ganzhou Qufenqi or Xiamen Youxiang, as applicable, to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including the right to attend and vote on shareholder's meetings and appoint directors and executive officers. In the absence of contrary written instructions of Ganzhou Qufenqi or Xiamen Youxiang, as applicable, each power of attorney agreement will remain in force for so long as the shareholder remains a shareholder of the applicable consolidated VIE.

Agreements that Allow Us to Receive Economic Benefits from our Consolidated VIEs and Their Subsidiaries

Exclusive Business Cooperation Agreements. Under the exclusive business cooperation agreements, Ganzhou Qufenqi and Xiamen Youxiang have the exclusive right to provide the consolidated VIEs and their subsidiaries that generate substantial income, including Ganzhou Happy Fenqi, Ganzhou Network, and Fuzhou

Microcredit, or the profitable consolidated VIEs and their subsidiaries, with technical support, consulting services and other services. In exchange, Ganzhou Qufenqi is entitled to receive a service fee from each of the profitable consolidated VIEs on a monthly basis and at an amount equivalent to all of its net income as confirmed by Ganzhou Qufenqi; Xiamen Youxiang is entitled to receive a service fee from Xiamen Qu Plus Plus on a monthly basis and at an amount equivalent to all of its net income as confirmed by Xiamen Youxiang. Ganzhou Qufenqi and Xiamen Youxiang own the intellectual property rights arising out of the performance of the respective exclusive business cooperation agreement. In addition, each of the consolidated VIEs and their subsidiaries has granted Ganzhou Qufenqi or Xiamen Youxiang, as applicable, an exclusive right to purchase any or all of the business or assets of each of the profitable consolidated VIEs and their subsidiaries at the lowest price permitted under PRC law. Unless otherwise agreed by the parties, this agreement will continue remaining effective.

Agreements that Provide Us with the Option to Purchase the Equity Interest in our consolidated VIEs.

Exclusive Call Option Agreements. Pursuant to the exclusive call option agreements, our consolidated VIEs and each of their shareholders have irrevocably granted Ganzhou Qufenqi or Xiamen Youxiang, as applicable, an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion at any time, to the extent permitted under PRC law, all or part of such shareholder's equity interests in the applicable, or any or all or the assets of such consolidated VIE. For reasons discussed in this section, there may be PRC legal restrictions on the ability of Ganzhou Qufenqi and Xiamen Youxiang to directly purchase such equity interests or assets. In the event such equity interests or assets are sold to persons designated by Ganzhou Qufenqi or Xiamen Youxiang, as applicable, Ganzhou Qufenqi or Xiamen Youxiang, as applicable, and such persons will need to enter into contractual arrangements that are similar to the existing ones in order for Ganzhou Qufenqi or Xiamen Youxiang, as applicable, to exercise effective control over and receive substantially all the economic benefits of such equity interests or assets. As for the equity interests in a consolidated VIE, the purchase price should be equal to the minimum price as permitted by PRC law. As for the assets of a consolidated VIE, the purchase price should be equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher. Without prior written consent of Ganzhou Qufenqi or Xiamen Youxiang, as applicable, each consolidated VIE and its shareholders have agreed that such consolidated VIE shall not 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, provide any loans or guarantees and etc. Ganzhou Qufenqi and Xiamen Youxiang are entitled to all dividends and other distributions declared by the applicable consolidated VIE except as they agree otherwise in writing, and the shareholders of the applicable consolidated VIE have agreed to pay any such dividends or distributions to Ganzhou Qufenqi and Xiamen Youxiang, respectively. Each agreement will remain effective until all equity interests of the applicable consolidated VIE held by its shareholders and all assets of such consolidated VIE have been transferred or assigned to Ganzhou Qufenqi or Xiamen Youxiang, as applicable, or its designated person(s).

Financial Support Undertaking Letters

We executed a financial support undertaking letter addressed to each consolidated VIE, pursuant to which we irrevocably undertake to provide unlimited financial support to such consolidated VIE to the extent permissible under the applicable PRC laws and regulations, regardless of whether such consolidated VIE 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 a consolidated VIE 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 Ganzhou Qufenqi, or Xiamen Youxiang, as applicable, the applicable consolidated VIE and its shareholders until the earlier of (i) the date on which all of the equity interests of such consolidated VIE have been acquired by or its designated representative(s), and (ii) the date on which we in our sole and absolute discretion unilaterally terminates the applicable financial support undertaking letter.

We expect to provide the financial support if and when required with a portion of the proceeds from our initial public offering and convertible senior notes and proceeds from the issuance of equity or debt securities in the future.

D. Facilities

Our corporate headquarters are located in Xiamen, Fujian Province, China, where we lease approximately 15,873 square meters of office space pursuant to a series of lease expiring in first quarter of 2020 through second quarter of 2022. We also maintain leased properties of approximately 127 square meters, 100 square meters, 2,000 square meters and 799 square meters in Beijing, Tianjin, Fuzhou and Ganzhou in Jiangxi Province, respectively. We also use a property of 80 square meters in Jiangxi Province provided by the local government without rent.

In January 2018, we purchased the use rights with respect to a parcel of land of approximately 53,239 square meters located in Xiamen, Fujian Province for a price of RMB106 million. Pursuant to the contract we signed with the local government authorities, our land use rights will last for 40 years. We have commenced construction of our innovation park on such parcel of land, and the construction is expected to be completed in 2021.

We believe that we will be able to obtain adequate facilities to accommodate our future expansion plans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information — D. Risk Factors” or in other parts of this annual report.

For comparison of our results of operations for the years ended December 31, 2018 to December 31, 2017, refer to “Item 5. Operating and Financial Review and Prospects” in the 2019 Form 20-F, filed with the SEC on April 15, 2019.

A. Operating Results

Overview

We are a leading technology platform empowering the enhancement of online consumer credit experience in China. We target hundreds of millions of young, tech-savvy and mobile-active consumers in China who are underbanked and underserved but eager to access small credit for their discretionary spending. Our technology platform enables licensed credit providers to offer instantaneous, affordable and customized consumer credit to this young generation of consumers.

Through our technology platform, we operate (i) a loan book business, whereby we offer small credit products to consumers and undertake the related credit risk, and (ii) a transaction services business, whereby we offer loan recommendation and referral services to third-party financial service providers and assume no credit risk. In 2019, we facilitated approximately RMB84.5 billion (US$12.1 billion) in transactions. 72.0% of such transactions were facilitated under our loan book business, and 28.0% were facilitated under our transaction services business. As of December 31, 2019, we had served a cumulative number of borrowers of 19.0 million.

To provide consumers with a convenient experience, we offer small credit products through our online platform, with all of the transactions facilitated through mobile devices. Prospective borrowers can apply for small credit on their mobile phones and receive approval within minutes. Approved borrowers are then able to draw down on their cash credit with cash disbursed immediately into their online accounts in digital form. Borrowers also repay the credit drawdowns through their online accounts. We also offer merchandise credit products to finance borrowers' direct purchase of merchandise from the Qudian marketplace on installment basis. Through collaborating with more than 200 merchandise suppliers, we offer a variety of merchandise ranging from consumer electronics products to watches and sports and outdoor products to capture approved borrowers' growing consumption demand and enhance their online shopping experience. In the three months ended December 31, 2019, the small credit products under our loan book business had an average size of approximately RMB1,500 (US$215.5) and weighted average term of approximately 11.0 months.

We have developed our transaction services business to help financial service providers grow, while simultaneously bringing value to consumers. The transaction services business also allows us to further monetize our user base and mitigate our credit risk exposure. While our registered users grew to approximately 79.5 million as of December 31, 2019, the number of outstanding borrowers was 6.1 million as of the same date, evidencing the potential to maximize the value of our user base. We aim to further activate this user base by operating an open platform, whereby we offer transaction referral services to licensed institutional funding partners and traffic referral services to other financial technology platforms. The financial service providers take full credit risk for these referrals. We expect to create significant value for all parties involved in these initiatives: financial service providers gain access to a vast online borrower base; and consumers can access affordable, instant credit through more mobile channels. As of December 31, 2019, the cumulative amount of transactions facilitated under our transaction services business was RMB23.7 billion, and the cumulative number of borrowers for such transactions was 1.3 million. In the three months ended December 31, 2019, the transactions facilitated under our transaction services business had an average loan balance per borrower of approximately RMB12,000 (US$1,784) and weighted average term of approximately 13.8 months.

We launched Wanlimu, an online luxury fashion products platform, in March 2020. Wanlimu caters to the strong demand of China's middle- and high-income consumers for luxury products from global fashion brands. We aim to provide a one-stop online fashion shopping experience, and consumers can purchase a broad range of skin care products, bags, apparel, shoes and accessories on Wanlimu. As of March 31, 2020, more than 8,600 SKUs from over 50 global luxury brands were available on Wanlimu. We plan to expand the merchandise offerings on Wanlimu to better satisfy consumers' demand for high quality fashion products.

We generate (i) financing income and loan facilitation income and other related income from cash credit products and (ii) financing income, sales commission fee and loan facilitation income and other related income from merchandise credit products. We generate transaction services fee and other related income from our transaction services business. We also generate revenue from merchandise sales on the Wanlimu platform. We historically offered budget auto financing products, from which we generated sales income and financing income. We started to wind down our budget auto financing business in the second quarter of 2019 to focus on our core consumer finance business.

We have achieved significant scale and experienced strong growth in our results of operations. Our total revenues increased from RMB4,775.4 million in 2017 to RMB7,692.3 million in 2018, and further increased to RMB8,840.0 million (US$1,269.8 million) in 2019. We recorded net income of RMB2,164.5 million, RMB2,491.3 million and RMB3,264.3 million (US$468.9 million) in 2017, 2018 and 2019, respectively.

Key Factors Affecting Our Results of Operations

Number and Engagement of Borrowers

We primarily engage borrowers through our mobile applications. Our ability to continue to engage borrowers efficiently is significantly affected by our ability to attract more users through our own mobile apps.

As we seek to broaden our borrower base, our success in collaborating with other leading Internet companies and other marketing efforts will affect the size and credit quality of our borrower base. In addition, our brand, reputation, user experience and the pricing of our credit products will affect our borrower retention capability and repeat transactions by borrowers.

Risk Management

While we bear credit risk for transactions under the loan book business, we do not bear credit risk for transactions under the transaction services business. Furthermore, the financial service providers perform independent credit assessment for the transactions facilitated under our transaction services business. As such, the quality of our risk management system primarily affects the delinquency rates of the transactions under the loan book business. Our ability to effectively evaluate a borrower's credit profile also affects our ability to offer attractive borrowing terms under the loan book business.

Transactions under the loan book business consist of on-balance sheet transactions, as well as off-balance sheet transactions. We periodically adjust our allowance for loan principal and financing service fee receivables when we believe that the future collection of the principal of on-balance sheet transactions is unlikely. We base the allowance for loan principal and financing service fee receivables primarily on historical loss experience using a roll rate-based model applied to our principal and financing service fee receivables portfolios and, to a lesser extent, macroeconomic factors. As such, an increase in delinquency rates of on-balance sheet transactions will result in a higher allowance for loan principal and financing service fee receivables. We recognize any increase in allowance for loan principal and financing service fee receivables as provision for loan principal and financing service fee receivables for the relevant period. We charge off loan principal and financing service fee receivables as a reduction to the allowance for loan principal and financing service fee receivables when the principal and financing service fee receivables are deemed to be uncollectible. At the inception of each off-balance sheet transaction, we record the fair value of (i) guarantee liabilities, which represent the present value of our expected payout based on the estimated delinquency rate and the applicable discount rate for time value; or (ii) risk assurance liabilities, which considers the premium required by a third-party market participant to issue the same risk assurance in a standalone transaction, as applicable. The contingent loss rising from risk assurance liabilities is recognized when borrower default is probable, and the amount of loss is estimable. As such, an increase in expected delinquency rates of off-balance sheet transactions will result in an increase in the amount of guarantee liabilities and risk assurance liabilities, which is recognized as changes in guarantee liabilities and risk assurance liabilities in our results of operations.

Funding Sources, Costs and Risk Transfer

The growth of our business is dependent on our ability to secure sufficient funding for the transactions that we facilitate. We primarily work with institutional funding partners to fund the credit we facilitate. We do not directly source funding from retail investors. Both our loan book business and transaction services business involve funding from institutional funding partners. The availability of funds from the institutional funding partners that we collaborate with affects our liquidity and the amount of transactions that we will be able to facilitate. The cost of capital for funds from institutional funding partners that we collaborate with during any specific period impacts our profitability.

We collaborate with institutional funding partners in several ways under our loan book business. There are credit drawdowns that are funded indirectly by institutional funding partners through trusts that we established with trust companies. For such arrangements, we recognize financing income from borrowers including interest collected on behalf of our institutional funding partners. We record interest expenses of borrowings on funds provided by such institutional funding partners as cost of revenues. For this type of transactions, we retain full credit risk and record them on our balance sheet. As we incur interest expenses of borrowings on such funding arrangement, an increase in such arrangement may adversely affect our profit margin. We also collaborate with certain institutional funding partners that provide funds directly to borrowers for credit drawdowns that we

facilitate, which enables us to facilitate additional transactions without utilizing our capital resources. Such institutional funding partners deduct the principal and service fees due to them from borrowers' repayments and remit the remainder to us as our loan facilitation fees. Such loan facilitation fees, net of the fair value of guarantee liabilities and risk assurance liabilities which was deducted from the consideration, are recognized as loan facilitation income and other related income. We do not incur interest expenses of borrowings on their funding. We record the credit drawdowns funded under such arrangements off-balance sheet, and we provide guarantees for such transactions. We record guarantee liabilities and risk assurance liabilities, as applicable, on our balance sheet. While we intend to focus on leveraging technology, rather than capital, to serve the broad consumer base in China, we also fund certain credit drawdowns indirectly through funding arrangements with banks.

In the second half of 2018, we launched an open platform for transaction services business. We perform credit assessment on users applying for credit on our platform, following which we primarily refer users that meet our credit requirements to licensed institutional funding partners that participate on the platform. We receive commissions from the institutional funding partners for such referrals. For users that do not meet our credit requirements, we refer their applications to other financial service providers that participate on the platform. We typically charge such financial service providers for lead generation on a cost-per-click basis. The financial service providers perform independent credit assessment for the transactions facilitated under our transaction services business, and we do not bear credit risk for the transactions. Furthermore, we do not incur material cost of operations in connection with the transaction services business. As such, an expansion of transaction services business would enhance our profit margin.

Product and Service Offerings

We offer (i) small cash and merchandise credit products under the loan book business and (ii) loan recommendation and referral services under the transaction services business. Our revenue and profitability are subject to the amount of transactions we facilitate, as well as the relative contribution in the amount of transactions facilitated under our various credit products and services. Under our loan book business, the amount of financing service fees per transaction is a function of the size and duration of credit products. Credit products of larger size and longer duration generally correspond to higher financing service fees. In addition, borrowers with strong credit profiles may be offered discounts as to financing service fees. In April 2017, we lowered the financing service fee levels for certain cash credit products to ensure that the annualized fee rates charged on all credit drawdowns do not exceed 36%. We may further lower the financing service fee levels in the future in response to customer characteristics, market demand, competition and regulations, which would impact our revenue and profitability. Under our transaction services business, we generate transaction services fee and other related income in connection with the loan recommendation and referral services we provide to financial service providers. Our ability to obtain favorable pricing terms for such services depends in part on our ability to create value for the financial service providers that participate on our open platform.

We launched Wanlimu, an online luxury fashion products platform, in March 2020. While we expect our new e-commerce business will enable us to capitalize on significant market opportunities, it also presents new challenges. The success of the Wanlimu platform will depend on, among other things, our abilities to understand consumer preferences and behavior, price merchandise competitively, acquire users cost-effectively and manage inventory risk.

Economic Conditions and Regulatory Environment in China

The demand for credit from borrowers is dependent upon overall economic conditions in China. General economic factors, including the interest rate environment and unemployment rates, may affect borrowers' willingness to seek credit. For example, significant increases in interest rates could cause prospective borrowers to defer obtaining credit as they wait for interest rates to decrease. Additionally, a slowdown in the economy, resulting in a rise in the unemployment rate and/or a decrease in real income, may affect individuals' level of

disposable income. This may affect borrowers' repayment capability and their willingness to seek credit, which may potentially affect credit drawdowns and/or delinquency rates.

The regulatory environment for the online consumer finance industry in China is developing and evolving, creating both challenges and opportunities that could affect our financial performance. Due to the relatively short history of online consumer finance industry in China, the PRC government has not adopted a clear regulatory framework governing our industry. 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 facilitating credit to borrowers more difficult or expensive, or making such credit products more difficult for borrowers or institutional funding partners to accept or on terms favorable to us, these events could also provide new product and market opportunities.

User Engage Metrics

We regularly review a number of user engagement metrics, including the following metrics, to evaluate the level of user engagement, monitor the size of our user base, identify trends, formulate financial projections and make strategic decisions. We believe that these user engagement metrics are useful to investors because they are frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

The following table sets forth our registered users, outstanding borrowers and cumulative number of borrowers as of the dates indicated:

	As of December 31,		
	2017	2018	2019
		(in thousands)	
Registered users	62,439	71,766	79,463
Outstanding borrowers	5,832	5,260	6,116
Cumulative number of borrowers	14,517	16,716	19,037

We define "registered users" as individuals who have registered with us.

We define "outstanding borrowers" as borrowers who have outstanding loans under either the loan book business or the transaction services business as of a specified date;

We define "cumulative number of borrowers" as borrowers who have drawn down credit under either the loan book business or the transaction services business since our inception in April 2014.

Transaction Volume Metrics

We regularly review a number of transaction volume metrics, including the following metrics, to monitor the size of our transaction volume, identify trends, formulate financial projections and make strategic decisions. We believe that these transaction volume metrics are useful to investors because they are frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

The table below sets forth a breakdown for the amount of transactions we facilitated in the periods presented:

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
On-balance sheet transactions	**78,473,736**	**37,036,366**	22,760,427	3,269,331
Off-balance sheet transactions	**10,469,933**	**20,904,603**	38,080,279	5,469,890
Transactions under the loan book business	**88,943,669**	**57,940,969**	60,840,706	8,739,221
Transactions under the transaction services business	**—**	**—**	23,683,642	3,401,942
Total	**88,943,669**	**57,940,969**	84,524,348	12,141,163

We define “amount of transactions” as the aggregate principal amount of credit drawdowns that are provided to borrowers in the specified period, which are comprised of (i) credit drawdowns that are facilitated under our loan book business and (ii) credit drawdowns that are facilitated under our transaction services business.

The table below sets forth a breakdown for the outstanding principal of transactions we facilitated as of the dates presented:

	As December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
On-balance sheet transactions	**9,150,048**	**9,652,127**	9,286,416	1,333,910
Off-balance sheet transactions	**2,035,913**	**9,353,242**	13,254,755	1,903,926
Transactions under the loan book business	**11,185,961**	**19,005,369**	22,541,171	3,237,837
Transactions under the transaction services business	**—**	**—**	15,594,775	2,240,049
Total	**11,185,961**	**19,005,369**	38,135,946	5,477,886

Credit Performance Metrics

The credit performance of the transactions we facilitate under the loan book business directly affects our financial condition and results of operations. We regularly review a number of credit performance metrics, including the following metrics, to evaluate credit performance of our loan book business, identify trends, formulate financial projections and make strategic decisions. We believe that these credit performance metrics are useful to investors because they are frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

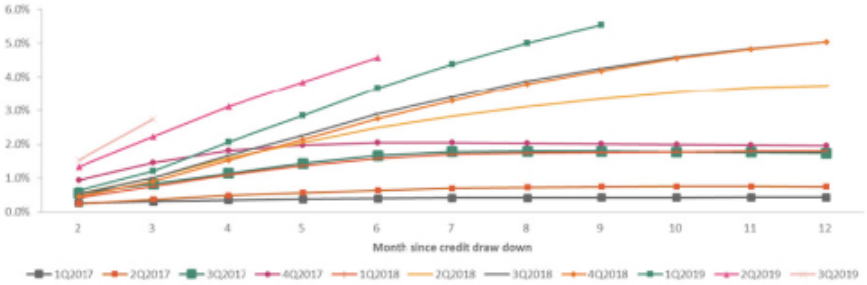
If one payment for a credit drawdown facilitated by us is past due, the remaining payments that are not yet due are also considered past due for the purpose of evaluating the performance of the credit drawdown.

M1+ Delinquency Rate by Vintage

Based on our experience, credit drawdowns past due 1 to 30 calendar days would be largely recovered by collection, therefore our focus on credit performance are those transactions for which any installment payment

was more than 30 calendar days ("M1+") past due. We closely monitor the credit performance measured by the M1+ delinquency rates by vintage, which track the lifetime performance of the credit drawdowns originated in a certain vintage and vintage charge-off rate.

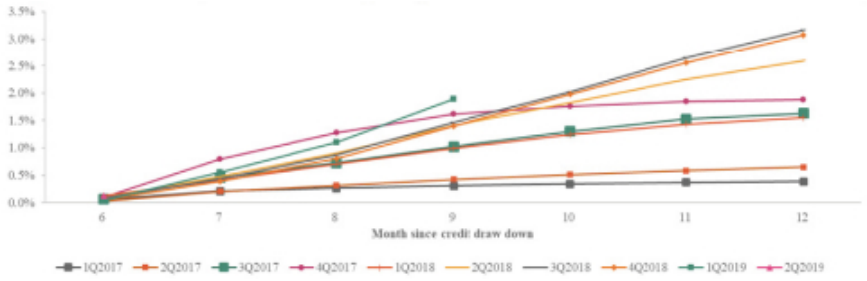
The following chart displays M1+ delinquency rate by vintage. M1+ delinquency rate by vintage (with respect to on- and off-balance sheet transactions facilitated under the loan book business during a specified time period) refers to the total outstanding principal balance of the transactions of a vintage for which any repayment is overdue for more than 30 days, divided by the total initial principal of the transactions facilitated in such vintage.



We experienced increases in M1+ delinquency rate by vintage over time. M1+ delinquency rate by vintage for transactions in the four quarters of 2018 was less than 3.3% through March 31, 2019. M1+ delinquency rate by vintage for transactions in the four quarters of 2019 reached 5.6% through March 31, 2020. Such increase was primarily due to longer loan tenures and higher risks in the credit market.

Vintage Charge-off Rate

The following charts display the vintage charge-off rate. Vintage charge-off (with respect to on- and off-balance sheet transactions facilitated under the loan book business during a specified time period) refers to the total outstanding principal balance of the transactions for which any repayment is overdue for more than 180 days during such period, divided by the total initial principal of the transactions facilitated in such vintage.



Outstanding Amounts Past Due

The following table provides the total balance of outstanding principal for on-balance sheet transactions where the longest past due period of an installment payment was 1 to 30, 31 to 60, 61 to 90 and more than 90 calendar days as of the dates presented:

	Delinquent for					
	1-30 calendar days	31-60 calendar days	61-90 calendar days	More than 90 calendar days	Total	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
As of						
December 31, 2017	401,975	124,457	98,289	181,194	805,915	123,867
December 31, 2018	153,188	108,535	104,483	298,091	664,297	96,618
December 31, 2019	314,330	212,627	185,994	629,975	1,342,926	192,899

The following table provides the balance of outstanding financing service fees for on-balance sheet transactions where the longest past due period of an installment payment was 1 to 30, 31 to 60 and 61 to 90 calendar days as of the dates presented[(1)]:

	Delinquent for				
	1-30 calendar days	31-60 calendar days	61-90 calendar days	Total	
	RMB	RMB	RMB	RMB	US$
	(in thousands)				
As of					
December 31, 2017	11,111	5,410	5,376	21,897	3,366
December 31, 2018	4,328	5,545	7,108	16,981	2,470
December 31, 2019	6,233	8,118	10,669	25,019	3,594

(1) Financing service fees are reversed post 90 calendar days.

We actively service and collect principal and financing service fees that are past due. The following table sets forth the amount of principal and financing service fees for on-balance sheet transactions that were recovered for the periods presented:

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Amount recovered past due payments for principal	361,354	500,936	461,822	66,337
Amount recovered past due payments for financing service fees	20,701	39,878	52,730	7,574

The following table sets forth the amount of loan principal and financing service fee receivables we charged off for the periods presented:

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Amount charged off	191,023	1,077,333	1,215,718	174,627

We charge off loan principal and financing service fee receivables if any of the conditions specified in our charge-off policy is satisfied, including the amount remain outstanding 180 calendar days past due and therefore deemed uncollectible.

Provision Ratio

We define "provision ratio" as the amount of provision for loan principal and financing service fee receivables incurred during a period as a percentage of the total amount of on-balance sheet transactions during such period. The following table sets forth our provision ratio for the periods presented:

	Year Ended December 31,		
	2017	2018	2019
Provision ratio	0.77%	3.09%	9.49%

We periodically adjust our allowance for loan principal and financing service fee receivables when we believe that the future collection of principal is unlikely. We base the allowance for loan principal and financing service fee receivables primarily on historical loss experience using a roll rate-based model applied to our principal and financing service fee receivables portfolios and, to a lesser extent, macroeconomic factors. We recognize any increase in allowance for loan principal and financing service fee receivables as provision for loan principal and financing service fee receivables for the relevant period. Our provision ratio increased from 3.09% in 2018 to 9.49% in 2019 primarily due to an increase in M1+ overdue loan principals.

M1+ Delinquency Coverage Ratio

We define "M1+ delinquency coverage ratio" as the balance of allowance for principal and financing service fee receivables at the end of a period, divided by the total balance of outstanding principal for on-balance sheet transactions for which any installment payment was more than 30 calendar days past due as of the end of such period.

	As of December 31,		
	2017	2018	2019
M1+ delinquency coverage ratio	1.3x	1.1x	1.5x

M1+ delinquency coverage ratio was above 1.1x as of December 31, 2017, 2018 and 2019, indicating that our allowance for principal and financing service fee receivables was adequate to cover delinquency balance.

Charge-Off Ratio

We define "charge-off ratio" as the amount of loan principal receivables we charged off during a period, divided by the total amount of on-balance sheet transactions during such period.

	Year Ended December 31,		
	2017	2018	2019
		%	
Charge-off ratio	0.24%	2.91%	5.34%

Components of Results of Operations

Revenues

Our total revenues comprise financing income, sales commission fee, sales income, penalty fees, loan facilitation income and other related income and transaction services fee and other related income. Our total revenues are presented net of VAT and related surcharges. Financing income represents financing service fees

that we collect from borrowers for on-balance sheet transactions, which we have facilitated since inception in April 2014. Sales commission fee represents fee earned from merchandise suppliers in connection with merchandise credit products. Sales income represents the sales price of cars we sell to car buyers in connection with our budget auto financing products. Penalty fees represent fees we charge borrowers for late repayment. Loan facilitation income and other related income represent loan facilitation fees earned from certain institutional funding partners in connection with off-balance sheet transactions, a type of funding arrangement that started in September 2016. For more information, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies — Revenue Recognition." Transaction services fee and other related income represent commissions and fees earned from financial service providers in connection with our transaction services business. The following table sets forth the breakdown of our total revenues, both in absolute amount and as a percentage of our total revenues, for the periods presented:

	Year Ended December 31,						
	2017		2018		2019		
	RMB	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)						
Revenues							
Financing income	3,642,184	76.3	3,535,276	46.0	3,510,055	504,188	39.7
Sales commission fee	797,167	16.7	307,492	4.0	356,812	51,253	4.0
Sales income	26,083	0.5	2,174,789	28.3	431,946	62,045	4.9
Penalty fees	7,922	0.2	28,013	0.4	44,354	6,371	0.5
Loan facilitation income and other related income	302,009	6.3	1,646,773	21.3	2,297,413	330,003	26.0
Transaction services fee and other related income	—	—	—	—	2,199,464	315,933	24.9
Total revenues	**4,775,365**	**100.0**	**7,692,343**	**100.0**	**8,840,044**	**1,269,793**	**100.0**

Financing Income

We charge financing service fees for facilitating on-balance sheet transactions. The financing service fees are recorded as financing income in the statement of comprehensive income in accordance with ASC 310 using the effective interest method.

Incentives are provided to certain borrowers and can only be applied as a reduction to the borrower's repayments and cannot be withdrawn by the borrowers in cash. These incentives are recorded as a reduction in financing service fees using the effective interest method.

Sales Commission Fee

Sales commission fee represents fee earned from merchandise suppliers when borrowers purchase their merchandise on the Qudian marketplace and comprise (i) the difference between the retail prices of the merchandise sold to borrowers and the prices of the merchandise that we pay to the merchandise suppliers and (ii) rebates earned from merchandise suppliers.

Sales income

Sales income comprise (i) the sales price of cars, which consists of down payment and principal under the sales-type finance leases and (ii) the amount of consideration we receive from the buyer for the sale of the vehicle, net of value-added tax, in vehicle sales with guarantee transactions.

Penalty Fees

Penalty fees represent fees we charge borrowers for late repayment. Penalty fees are recognized on a cash basis when the penalty fees will not be reversed.

Loan Facilitation Income and Other Related Income

Loan facilitation income and others represent loan facilitation fees earned from certain institutional funding partners for credit directly funded by them and vehicle sales with guarantee. Revenues from loan facilitation services are recognized when we match borrower with the funding partners and the funds are transferred to the borrower. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Transaction Services Fee and Other Related Income

Transaction services fee and other related income represent commissions and fees earned from financial service providers in connection with our transaction services business. Revenues from transaction services are recognized when we match borrower with the financial service provider and the funds are transferred to the borrower. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Cost of Revenues and Operating Expenses

Our cost of revenues and operating expenses consist of cost of revenues, sales and marketing expenses, general and administrative expenses, research and development expenses, changes in guarantee liabilities, changes in risk assurance liabilities and provision for receivables and other assets. The following table sets forth our cost of revenues and operating expenses, both in absolute amount and as a percentage of our total revenues, for the periods presented:

	Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues and operating expenses:							
Cost of revenues	880,846	18.4	2,735,428	35.6	901,788	129,534	10.2
Sales and marketing	431,749	9.0	540,551	7.0	280,616	40,308	3.2
General and administrative	183,674	3.8	255,867	3.3	286,059	41,090	3.2
Research and development	153,258	3.2	199,560	2.6	204,781	29,415	2.3
Changes in guarantee liabilities and risk assurance liabilities	150,152	3.1	116,593	1.5	1,143,427	164,242	12.9
Provision for receivables and other assets	605,164	12.9	1,178,723	15.3	2,283,126	327,951	25.8
Total	**2,404,843**	**50.4**	**5,026,722**	**65.3**	**5,099,797**	**732,540**	**57.6**

The following table sets forth our cost of revenues and operating expenses paid to related parties for the periods presented:

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Cost of revenues and operating expenses paid to related parties:				
Cost of revenues[1]	221,009	147,611	—	—
Sales and marketing[2]	238,115	32,542	—	—
Total	**459,124**	**180,153**	—	—

(1) Primarily includes (i) payment processing and settlement fees to Alipay, (ii) fees related to credit analysis information provided by Zhima Credit, (iii) fees related to cloud computing services provided by Alibaba Cloud Computing and (iv) interest expenses of borrowings from Guosheng Financial Holding Inc. and Guosheng Securities Asset Management Co., Ltd. in connection with their investments in several trusts.

(2) Includes borrower engagement fees to Alipay.

Alipay, Zhima Credit and Alibaba Cloud Computing ceased to be our related parties in December 2018.

No general and administrative or research and development expenses were paid to related parties during the periods presented.

Cost of Revenues

Our cost of revenues represent cost of goods sold, which primarily consists of cost of cars we purchase, and cost of other revenues, which includes interest expense of borrowings, which are fees paid or payable to institutional funding partners, and other lending related costs, which include payment processing and settlement fees, including those paid to Alipay. The following table sets forth components of our cost of revenues, both in absolute amount and as a percentage of our total revenues, for the periods presented:

	Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues:							
Cost of goods sold	23,895	0.5	2,003,642	26.1	366,015	52,575	4.1
Cost of other revenues	856,951	17.9	731,786	9.5	535,773	76,959	6.1
Total	**880,846**	**18.4**	**2,735,428**	**35.6**	**901,787**	**129,534**	**10.2**

Interest expenses of borrowings depend on the institutional funding partners which we work with to fund the transactions we facilitate. Historically, we typically group credit drawdowns into portfolios and transfer them to institutional funding partners. Such institutional funding partners then provide us with funding for the credit drawdowns transferred, which are recorded as short-term borrowings and long-term borrowings on our consolidated balance sheet. After collecting principals and financing service fees from borrowers, we remit to these institutional funding partners all principals and fees payable. If borrowers default on their payment obligations, we are generally obligated to repay these institutional funding partners all or a percentage of principals and fees payable in respect of credit drawdowns funded by them. We have ceased transferring credit drawdowns to P2P platforms in April 2017. We recognize fees paid to such institutional funding partners as interest expenses of borrowing in our cost of revenues. Starting in December 2016, we also collaborate with trust companies to enable certain institutional funding partners to provide funding to borrowers through trusts. Such trust arrangements provide a specified rate of return to the institutional funding partners. The amount accrued

that reflects such pre-agreed rate of return payable to the institutional funding partners is also recognized as interest expenses of borrowings. Fee rates vary among institutional funding partners. As of December 31, 2019, the weighted average interest rate for the outstanding borrowings was approximately 8.42%. The interests payable to institutional funding partners are lower than financing service fees we collect from borrowers on the credit drawdowns transferred. Certain institutional funding partners provide funds directly to borrowers for credit that we facilitate, and we do not recognize interest expenses of borrowings relating to such credit drawdowns. In addition, when utilizing our own capital to fund credit, we also do not incur interest expenses of borrowings.

Sales and Marketing

Sales and marketing expenses include expenses for our core online consumer finance business and consist primarily of expenses related to borrower engagement and retention, salaries, benefits and share-based compensation related to our sales and marketing staff.

General and Administrative

General and administrative expenses consist primarily of share-based compensation, salaries and benefits related to accounting and finance, business development, legal, human resources and other personnel, as well as professional service fees related to various corporate activities.

Research and Development

Research and development expenses consist primarily of share-based compensation, salaries and benefits related to technology and product development personnel, as well as rental expenses related to offices for our technology and product development personnel.

Changes in Guarantee Liabilities and Risk Assurance Liabilities

At the inception of each off-balance sheet transaction, we record the fair value of (i) guarantee liabilities, which represent the present value of our expected payout based on the estimated delinquency rate and the applicable discount rate for time value; or (ii) risk assurance liabilities, which considers the premium required by a third-party market participant to issue the same risk assurance in a standalone transaction, as applicable. The contingent loss rising from risk assurance liabilities is recognized when borrower default is probable, and the amount of loss is estimable. The service fees payable to us, net of guarantee liabilities and risk assurance liabilities which were deducted from the consideration in connection with such transaction, are recognized as loan facilitation income and other related income. Increases in the amount of guarantee liabilities and risk assurance liabilities are recognized as changes in guarantee liabilities and risk assurance liabilities in our results of operations. We started to facilitate such transactions in September 2016 and recognized RMB150.2 million, RMB116.6 million and RMB940.0 million (US$135.0 million) of changes in guarantee liabilities in 2017, 2018 and 2019, respectively. We recognized nil, nil and RMB203.5 million (US$29.2 million) of changes in risk assurance liabilities in 2017, 2018 and 2019.

Provision for Receivables and Other Assets

We periodically adjust our allowance for loan principal and financing service fee receivables when we believe that the future collection of principal is unlikely. We base this allowance primarily on historical loss experience using a roll rate-based model applied to our principal and financing service fees receivables portfolios and, to a lesser extent, macroeconomic factors. The allowance for finance lease receivables is calculated based on historical loss experience using probability of default and loss given default methods. We stratify probability of default and loss given default by the recovered rate under different scenarios (i.e. cash collection, repossessing the leased vehicle or non-recovery), and calculates allowance balance by timing exposure at default under each scenario. For information regarding our accounting policy related to allowance for receivables, see “— Critical

Accounting Policies — Loan Principal and Financing Service Fee Receivables" and "— Critical Accounting Policies — Finance lease receivables." We periodically adjust our allowance for other receivables when we believe that the future collection of receivables from merchandise suppliers is unlikely. Each merchandise supplier is obligated to refund us the amount we have paid, if the relevant borrower returns previously purchased merchandise in accordance with the product return policies of the Qudian marketplace. We recognize any increase in allowance for loan principal, financing service fee receivables and other receivables as provision for receivables for the relevant period.

The following table sets forth the provision for receivables and other assets, both in an absolute amount and as a percentage of total revenues, for the periods presented.

	Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Provision for receivables and other assets	605,164	12.7	1,178,723	15.3	2,283,126	327,951	25.8

Share-based Compensation

The following table sets forth the effect of share-based compensation expenses on our operating expenses line items, both in an absolute amount and as a percentage of total revenues, for the periods presented.

	Year Ended December 31,						
	2017		2018		2019		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Sales and marketing	1,891	0.0	5,641	0.1	4,482	644	0.1
General and administrative	42,849	0.9	38,587	0.5	74,312	10,674	0.8
Research and development	19,316	0.4	13,753	0.2	8,505	1,222	0.1
Total	**64,056**	**1.3**	**57,981**	**0.8**	**87,299**	**12,540**	**1.0**

See "— Critical Accounting Policies — Measurement of Share-based Compensation" for a description of what we account for the compensation cost from share-based payment transactions.

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 VIEs 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. Our subsidiaries in Ganzhou are entitled to preferential tax rate of 15%. Xinjiang Qudian Technology Co., Ltd. is a company established in a special economic development zone and is therefore entitled to an exemption from income tax from January 1, 2017 to December 31, 2020. Xiamen Qudian was qualified as a High and New Technology Enterprise and was subject to a preferential statutory tax rate of 15% in 2019.

We are subject to VAT at a rate of 6% on the services we provide to borrowers, less any deductible VAT we have already paid or borne. Historically, we were subject to VAT at a rate of 13% on the budget auto financing services we provide to borrowers. 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. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then 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%.

Critical Accounting Policies

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 should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report. 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

Borrowers can withdraw cash or purchase products (e.g. personal consumer electronics) up to their approved credit limit and elect the installment repayment period, mainly ranging from one to 18 installments repayment period through our online website and application (collectively “financing platform”) or via borrowers’ specified digital accounts. We charge financing service fees for facilitating the financing and managing the financing platform. The financing service fees are recorded as financing income in the consolidated statement of comprehensive income in accordance with ASC 310 using the effective interest method.

Incentives are provided to certain borrowers and can only be applied as a reduction to the borrower’s repayments and cannot be withdrawn by the borrowers in cash. These incentives are recorded as a reduction in financing service fees using the effective interest method.

The sales commission fee is fixed based on the retail sales price without considering the financing terms chosen by the borrower. Sales commission fees are recognized and recorded net of the related cost on delivery date, as we arrange for the goods to be provided by the suppliers and is considered to be an agent in accordance with ASC 606.

We launched Dabai Auto, our budget auto financing products, in November 2017, and we started to wind down the Dabai Auto business in the second quarter of 2019 to focus on our core consumer finance business. We purchase cars from car dealers and leases them to car buyers. Each car buyer is required to make a down payment and pay installments throughout the term of the lease. The lease agreements include lease payments that are largely fixed, do not contain residual value guarantees or variable lease payments. The lease terms are based on the non-cancellable term of the lease and the buyer may have options to terminate the lease in advance when meets certain conditions. The buyer obtains control of the car when the buyer physically possesses the car and when we receive cash consideration for the car from the buyer. A lease arrangement that transfers substantially all of the benefits and risks incident to the ownership of property and that give rise to a dealer's profit or loss is classified as a sales-type lease. For sales-type leases, when collectability is probable at lease commencement, we derecognize the underlying asset and recognize the net investment in the lease which is the sum of the lease receivable and the unguaranteed residual asset and recognizes in net income any selling profit or loss. Initial direct costs are expensed, at the commencement date, if the fair value of the underlying asset is different from its carrying amount. Interest income is recognized in financing income over the lease term using the interest method. We sell vehicles to buyers and provide loan facilitation services to funding partners who provide financing to the vehicle buyers. The buyer obtains control of the vehicle when the borrower physically possesses the vehicle and when we receive cash consideration for the vehicle from the buyer. We will receive recurring service fees from the financial institution for our loan facilitation services and post-origination services throughout the term of the loan. In addition, we provide a guarantee on the principal and accrued interest repayments of the defaulted loans to the financial institution. For vehicle sales, we determine the buyer to be our customer. The transaction price for the vehicle sale is the amount of consideration we receive from the buyer for the sale of the vehicle, net of value-added tax. We are the principal in the vehicle sale transaction and sales income is recognized on a gross basis when the title of the vehicle is transferred to the buyer. For the loan facilitation services, we determine both the funding partners and the buyer to be its customers. We consider the loan facilitation service, post-origination services and guarantee service as separate services, of which the guarantee service and the post origination service is accounted for in accordance with ASC 815 and ASC 860, respectively. The transaction price is the amount of consideration to which we expect to be entitled in exchange for transferring the promised services to the customer, net of value-added tax. The transaction price of loan facilitation services includes variable service fees which are contingent on the borrower making timely repayments. Variable consideration is estimated using the expected value method based on historical default rate, current and forecasted repayment trends and is limited to the amount of variable consideration that is probable not to be reversed in future periods. As a result, the estimation of variable consideration involves significant judgment. We make the assessment of whether the estimate of variable consideration is constrained. Any subsequent changes in the transaction price will be allocated to the performance obligations on the same basis as at contract inception. We first allocate the transaction price to the guarantee liabilities at fair value in accordance with ASC 815. The remaining transaction price is then allocated to the loan facilitation services and post-origination services on a relative standalone selling price basis. We do not have observable price for the loan facilitation services and post-origination services because the services are not provided separately. As a result, the estimation of standalone selling price involves significant judgment. We estimate the standalone selling price of the loan facilitation and post-origination services using the expected cost plus a margin approach. Revenues from loan facilitation services are recognized when we provide loan facilitation services to the institutional funding partners and the buyer. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Since September 2016, we have entered into credit facilitation arrangement with several financial institutions. We: (i) match borrowers with the funding partners which directly fund the credit drawdowns to the borrowers and (ii) provide post-origination services, such as short messaging reminder services throughout the

term of the loans. For each successful match, we receive a recurring service fee throughout the term of the loans. When borrowers make installment repayments directly to the funding partners, the funding partners will then remit the recurring service fees to us on a periodic basis. In addition, we provide a guarantee on the principal and accrued interest repayments of the defaulted loans to the institutional funding partners. We consider the loan facilitation service, post-origination services and guarantee service as separate services, of which the guarantee service and the post origination service is accounted for in accordance with ASC 815, *Derivatives and Hedging*, ASC 460, *Guarantees*, and ASC 860, *Transfers and servicing of financial assets*, respectively.

The transaction price is the amount of consideration to which we expect to be entitled in exchange for transferring the promised services to the customer, net of value-added tax. The transaction price of loan facilitation income and transaction services fees includes variable consideration which is contingent on the borrower making timely repayments. The amount of variable consideration is limited to the amount that is probable not to be reversed in future periods. Our management estimated the variable consideration using the expected value method, based on historical defaults, current and forecasted borrower repayment trends and assessed whether variable consideration should be constrained. Any subsequent changes in the transaction price will be allocated to the performance obligations on the same basis as at contract inception.

We first allocate the transaction price to the guarantee liabilities or risk assurance liabilities. The remaining transaction price is then allocated to the loan facilitation services and post-origination services on a relative standalone selling price basis. We do not have observable price for the loan facilitation services and post-origination services because the services are not provided separately. As a result, the estimation of standalone selling price involves significant judgment. We estimate the stand-alone selling price of the loan facilitation and post-origination services using the expected cost plus a margin approach. Revenues from loan facilitation services are recognized when we match borrowers with the funding partners and the funds are provided to the borrower. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

In the fourth quarter of 2018, we launched the transaction services business, whereby we offer loan recommendation and referral services to certain funding partners and assume no credit risk. We refer borrowers to the funding partners which directly fund the credit drawdowns to the borrowers and provides post-origination services, such as short messaging reminder services throughout the term of the loans. For each successful transaction, we typically receive a pre-agreed recurring service fee throughout the term of the loans. When borrowers make installment repayments directly to the funding partners, the funding partners will remit the recurring transaction services fees to us on a periodic basis.

The transaction services are considered to be the performance obligation in the arrangement. The transaction price is the amount of consideration to which we expect to be entitled to in exchange for transferring the promised service to the customer, net of value-added tax. The transaction price includes variable service fees which are contingent on the borrower making timely repayments to the funding partners. Variable consideration is estimated using the expected value method based on historical default rate, current and forecasted borrower repayment trends and is limited to the amount of variable consideration that is probable not to be reversed in future periods. We will update its estimate of the variable consideration at the end of each reporting period. The estimation of variable consideration (including the amount of variable consideration constrained) involves significant judgment. Revenues from transaction services are recognized when we successfully refer the borrower to the funding partner and the funding partner provides the funds to the borrower.

We charge borrowers and lessees penalty fee for late installment payments. The penalty fee is calculated based on the number of overdue days of unpaid outstanding balance of loan principals and lease receivables at the applicable late payment rate. The penalty fees is recognized on a cash basis, which coincides with the penalty fee being probable not to be reversed.

Loan Principal and Financing Service Fee Receivables

Loan principal and financing service fee receivables represent payments due from borrowers who utilize our credit products. Loan principal and financing service fee receivables are recorded at amortized cost (i.e. unpaid principal and deferred origination costs), net of allowance for loan principal. Deferred origination costs are netted against revenue and amortized over the financing term using the effective interest method.

Allowance for Loan Principal and Financing Service Fee Receivables

We consider the loans to be homogenous as they are all unsecured consumer loans of similar principal amounts. The profiles of the borrowers are also similar i.e. age, credit histories and employment status. The profile of the borrowers are also similar, i.e., age, credit histories and employment status. Therefore, we apply a consistent credit risk management framework to the entire portfolio of loans in accordance with ASC 450-20, *Loss Contingencies*.

Allowance for loan principal and financing service fee receivables losses is calculated based on historical loss experience with the entire loan portfolio, using a roll rate-based model. The roll rate-based model stratifies the loan principal and financing service fee receivables by delinquency stages (i.e., current, 1-30 days past due, and 31-60 days past due, etc.) and projects forward in one-month increments using historical roll rates. In each month of the simulation, losses on the loan principal and financing service fee receivables types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. This process is repeated on a monthly rolling basis. The loss rate calculated for each delinquency stage is then applied to the respective loan principal and service fees balance. We adjust the allowance that is determined by the roll rate-based model for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations. Each of these macroeconomic factors are equally weighted, and a score is applied to each factor based on year-on-year increases and decreases in that respective factor.

Loan principal and financing service fee receivables are charged off when a settlement is reached for an amount that is less than the outstanding balance or when we determined the balance is uncollectable. In general, we consider loan principal and financing service fee receivables meeting any of the following conditions as uncollectable and charged-off: (i) death of the borrower; (ii) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments or (iii) loans are 180 days past due.

Nonaccrual Loan Principal and Financing Service Fee Receivables

We do not accrue financing service fee on loan principals that are considered impaired or are more than 90 days past due. A corresponding allowance is determined under ASC 450-20 and allocated accordingly. After an impaired financing service fee receivable is placed on nonaccrual status, financing service fee will be recognized when cash is received on a cash basis cost recovery method by applying first to reduce principal and then to financing income thereafter. Financing service fee accrued but not received is generally reversed against financing income. Financing service fee receivables may be returned to accrual status after all of the borrower’s delinquent balances of loan principal and financing service fee have been settled and the borrower remains current for an appropriate period.

Finance Lease Receivables

Finance lease receivables are carried at amortized cost comprising of original financing lease and direct costs, net of unearned income and allowance for finance lease receivables.

Allowance for finance lease receivables

The automobile leasing service is offered to individual customers. We consider the finance lease receivables to be homogenous as they are all automotive finance lease receivables collateralized by vehicle titles of similar

principal amounts. Therefore, we apply a consistent credit risk management framework to the entire portfolio of finance lease receivables in accordance with ASC 450-20.

The allowance for finance lease receivables is calculated based on historical loss experience using probability of default ("PD") and loss given default ("LGD") methods. We stratify probability of default and loss given default by the recovered rate under different scenarios (i.e. cash collection, repossessing the leased vehicle or non-recovery), and calculates allowance balance by timing exposure at default under each scenario. This process is repeated on a monthly basis. Loss given default is projected based on historical experience of actual loss and considered proceeds from recovery of the repossessed assets. We adjust the allowance that is determined by the PD and LGD methods for various Chinese macroeconomic factors i.e. gross-domestic product rates, per capita disposable income, interest rates, consumer price indexes and law and regulation impact. Each of these macroeconomic factors are equally weighted, and a score is applied to each factor based on year-on-year increases and decreases in that respective factor.

Finance lease receivables are charged off when a settlement is reached for an amount that is less than the outstanding balance or when we determined the balance to be uncollectable. In general, we consider finance fee receivables meeting any of the following conditions as uncollectable and charged-off: (i) death of the borrower; (ii) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments or (iii) all finance lease receivables that are 180 days past due are therefore deemed uncollectible and charged-off; (iv) the vehicle is repossessed.

A finance lease receivable is considered impaired when the lease receivables are more than 90 days past due, or when it is probable that we will be unable to collect all amounts due according to the terms of the contract. Factors such as payment history, compliance with terms and conditions of the underlying financing lease agreement and other subjective factors related to the financial stability of the borrower are considered when determining whether finance lease receivables are impaired. We do not accrue financing lease income on net investment of finance lease receivables that are considered impaired. A corresponding allowance is determined under ASC 450-20 and allocated accordingly. Accrual of financing lease income is suspended on accounts that are impaired, accounts in bankruptcy and accounts in repossession. Payments received on non-accrual finance lease receivables are first applied to any fees due, then to any interest due and, finally, any remaining amounts received are recorded to principal. Interest accrual resumes once an account has received payments bringing the impaired status to current.

Guarantee Liabilities

As part of our cooperation with various financial institutions, we provide guarantee on the principal and accrued interest repayment of the defaulted loans to the financial institutions, even in the event the loans are subsequently sold by the financial institutions.

The financial guarantee is accounted for as a credit derivative under ASC 815 because the scope exemption in ASC 815-10-15-58(c) is not met. The guarantee liabilities are remeasured at each reporting period. The change in fair value of the guarantee liabilities is recorded as changes in guarantee liabilities in the consolidated statements of comprehensive (loss)/income. When we settle the guarantee liabilities through performance of the guarantee by making requisite payments on the respective defaulted loans, we record a corresponding deduction to the guarantee liabilities. Subsequent collection from the borrower through the financial institutions will be recognized as a reversal of deduction to guarantee liabilities.

Risk Assurance Liabilities

In April 2019, we and various institutional funding partners entered into contracts to provide risk assurance on the principal and accrued interest repayment of loans facilitated through the platform we operate. 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. Our obligation to stand ready to make delinquent payments over the term of the arrangement (the non-contingent aspect) is accounted for in accordance with ASC 460. The contingent obligation relating to the contingent loss arising from the arrangement is accounted for in accordance with ASC 450, Contingencies. At inception, we recognize 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 initial recognition, the non-contingent aspect of the risk assurance liability is reduced over the term of the arrangement as we are released from the stand ready obligation 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 the amount of loss is estimable. The contingent loss is calculated based on the expected future payouts, adjusted for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of 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 bases of assets and liabilities and their reported amounts in the consolidated financial statements using enacted tax rates in effect for the year 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 on the consolidated balance sheets.

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, 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 is more-likely-than not to be realized upon ultimate settlement. Our estimated liability for unrecognized tax benefits which is included in the income tax payable in the consolidated balance sheets is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. We elect to classify interest and penalties related to an uncertain tax position, if and when required, as part of income tax expense in the consolidated statements of comprehensive income. 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.

Measurement of Share-based Compensation

In August 2014, Qufenqi Inc., a former holding company of Beijing Happy Time, adopted a share incentive plan, or the 2014 Share Incentive Plan. For information regarding the 2014 Share Incentive Plan, see "Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — 2014 Share Incentive Plan." On various dates from August 2014 to December 2014, 18,373,219 share options were granted to certain of our employees and a third-party consultant. On various dates in 2015, 2,449,800 share options were granted to certain of our employees.

On December 26, 2015, Beijing Happy Time adopted a share incentive plan, or the 2015 Share Incentive Plan. For information regarding the 2015 Share Incentive Plan, see "Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — 2015 Share Incentive Plan." On December 26, 2015, options to purchase 15,814,019 virtual shares pursuant to the 2015 Share Incentive Plan were issued to certain of our employees and a third-party consultant to replace the 15,814,019 share options granted to such individuals under the 2014 Share Incentive Plan.

On December 9, 2016, Qudian Inc. adopted an equity incentive plan, or the 2016 Equity Incentive Plan. For information regarding the 2016 Equity Incentive Plan, see "Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — 2016 Equity Incentive Plan." The maximum number of ordinary shares subject to equity awards pursuant to the 2016 Equity Incentive Plan is 15,814,019 initially. On January 1, 2018, and on every January 1 thereafter for eight years, the aggregate number of ordinary shares reserved and available for issuance pursuant to awards granted under the 2016 Equity Incentive Plan will be increased by 1.0% of the total number of ordinary shares outstanding on December 31 of preceding calendar year. Unless terminated earlier, the 2016 Equity Incentive Plan will terminate automatically in 2026.

In December 2016, we granted 15,299,019 options to purchase our ordinary shares to certain of our employees and a third-party consultant pursuant to the 2016 Equity Incentive Plan to replace all awards under the 2015 Share Incentive Plan. On May 3, 2017, we granted 494,904 options to purchase our ordinary shares to certain of our employees pursuant to the 2016 Equity Incentive Plan. On August 17, 2017, we granted 200,000 options to purchase our ordinary shares to our independent director appointees and certain of our employees pursuant to the 2016 Equity Incentive Plan. On March 12, 2018, we granted 998,000 options under the 2016 Equity Incentive Plan. On October 1, 2018, we granted 20,000 options under the 2016 Equity Incentive Plan. On November 30, 2018, we granted 10,000 options to one independent non-executive director under the 2016 Equity Incentive Plan. On December 20, 2018, we granted 2,608,000 options under the 2016 Equity Incentive Plan. On June 14, 2019, we granted 60,000 options under the 2016 Equity Incentive Plan. On September 22, 2019, we granted 1,992,500 options under the 2016 Equity Incentive Plan. On December 25, 2019, we granted 1,090,000 options under the 2016 Equity Incentive Plan. 25% of the options will vest upon each subsequent anniversary of the engagement date. Certain options previously granted were subsequently canceled.

Share-based payment transactions with employees, such as share options 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. 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 stock compensation expense to be recognized in future periods. Share options granted to employees with market conditions attached are measured at fair value on the grant date and are recognized as the compensation costs over the estimated requisite service period, regardless of whether the market condition has been met.

A change in any of the terms or conditions of share options or a replacement of a share option plan is accounted for as a modification of share options. We calculate the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, we recognize incremental compensation cost in the period the modification occurred. For unvested options, we recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

For the years ended December 31, 2018 and 2019, we estimated the fair value of the options based on the quoted share price at grant date. Due to the options low exercise price, the various assumptions used in the

binomial option pricing model will not have a material impact in the calculation of the fair value of the options. For the years ended December 31, 2016 and 2017, excluding the options containing market and service vesting conditions, we calculated the estimated fair value of the options on the respective grant dates using a binomial option pricing model with assistance from independent valuation firms, with the following assumptions:

	Year Ended December 31,	
	2016	2017
Risk-free interest rate	2.47%	1.56%–2.33%
Volatility	49.8%–49.9%	50.9%–52.4%
Expected exercise multiple	2.2–2.8	2.2–2.8
Dividend yield	0%	0%
Expected term (in years)	10	10
Exercise price (RMB)	0.0	0.0
Fair value of share options (RMB)	25.89–26.04	81.94–94.22

Determining the fair value of the share options required us to make complex and subjective judgments, assumptions and estimates, which involved inherent uncertainty. Had we used different assumptions and estimates, the resulting fair value of the share options and the resulting share-based compensation expenses could have been different.

The following table sets forth the fair value of options and ordinary shares estimated at the dates of option grants indicated below with the assistance from an independent valuation firm:

Date of Options Grant[(1)]	Options Granted	Exercise Price	Intrinsic Value	Fair Value of Option	Fair Value of Ordinary Shares	Discount for Lack of Marketability	Discount Rate	Type of Valuations
August 29, 2014	10,900,000	US$ 0.00	US$ 0.11	US$ 0.11	US$ 0.11	20.0%	25.5%	Retrospective
November 1, 2014	7,473,219	US$ 0.00	US$ 0.36	US$ 0.36	US$ 0.36	20.0%	25.0%	Retrospective
March 1, 2015	2,042,500	US$ 0.00	US$ 0.61	US$ 0.61	US$ 0.61	20.0%	24.5%	Retrospective
June 4, 2015	407,300	US$ 0.00	US$ 0.79	US$ 0.79	US$ 0.79	20.0%	23.0%	Retrospective
December 26, 2015	15,814,019	US$ 0.00	US$ 1.95	US$ 1.95	US$ 1.95	20.0%	21.0%	Retrospective
December 9, 2016	1,433,800	US$ 0.00	US$ 3.75	US$ 3.75	US$ 3.75	5.0%	20.5%	Retrospective
December 30, 2016	13,865,219	US$ 0.00	US$ 3.75	US$ 3.75	US$ 3.75	5.0%	20.5%	Retrospective
May 3, 2017	494,904	US$ 0.00	US$ 11.88	US$ 11.88	US$ 11.88	5.0%	20.0%	Retrospective
August 17, 2017	200,000	US$ 0.00	US$ 14.12	US$ 14.12	US$ 14.12	3.0%	20.0%	Retrospective

(1) Include options that are issued close to the valuation dates indicated, and such options are valued at the nearest valuation date.

In determining the fair value of our ordinary shares, we applied the income approach / discounted cash flow, or DCF, analysis based on our projected cash flow using management's best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of ordinary shares include:

- Weighted average cost of capital, or WACC: The discount rates we listed in the table above were based on the WACCs determined based on a consideration of the factors, including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors.
- Comparable companies: In deriving the WACCs, which are used as the discount rates under the income approach, nine publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) online retail and mobile commerce companies or companies that provide financial lending services and (ii) China-based companies that are publicly listed in the United States, publicly listed companies in China and United States-based publicly listed companies.

- Discount for lack of marketability, or DLOM: DLOM was quantified by the Finnerty's Average-Strike put options model. Under this option-pricing model, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing model is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event, such as an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares. DLOM remained 20% in the period from inception to 2015.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. The growth rates of our total revenues, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares from RMB3.82 to RMB94.22. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: no material changes in the existing political, legal and economic conditions in China; our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain. The risks associated with achieving our forecasts were assessed in selecting the appropriate discount rates.

Results of Operations for Continuing Operations

The following tables set forth a summary of our consolidated results of operations for the periods presented. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands, except for share and per share data)			
Revenues:				
Financing income	3,642,184	3,535,276	3,510,055	504,188
Sales commission fee	797,167	307,492	356,812	51,253
Sales income	26,083	2,174,789	431,946	62,045
Penalty fees	7,922	28,013	44,354	6,371
Loan facilitation income and other related income	302,010	1,646,773	2,297,413	330,003
Transaction services fee and other related income	—	—	2,199,464	315,933
Total revenues	**4,775,366**	**7,692,343**	**8,840,044**	**1,269,793**
Cost of revenues:				
Cost of goods sold	(23,895)	(2,003,642)	(366,015)	(52,575)
Cost of other revenues	(856,951)	(731,786)	(535,773)	(76,959)
Total cost of revenues	**(880,846)**	**(2,735,428)**	**(901,788)**	**(129,534)**
Operating expenses:				
Sales and marketing	(431,749)	(540,551)	(280,616)	(40,308)
General and administrative	(183,674)	(255,867)	(286,059)	(41,090)
Research and development	(153,258)	(199,560)	(204,781)	(29,415)
Changes in guarantee liabilities and risk assurance liabilities	(150,152)	(116,593)	(1,143,427)	(164,242)
Provision for receivables and other assets	(605,164)	(1,178,723)	(2,283,126)	(327,951)
Total operating expenses	**(1,523,997)**	**(2,291,294)**	**(4,198,009)**	**(603,006)**
Other operating income	**50,703**	**23,748**	**108,508**	**15,586**
Income from operations	**2,421,226**	**2,689,369**	**3,848,755**	**552,839**
Interest and investment income, net	4,211	35,740	20,872	2,998
Foreign exchange gain/(loss), net	(7,177)	(90,771)	6,635	953
Other income	2,108	15,231	24,583	3,531
Other expenses	(363)	(522)	(10,323)	(1,483)
Net income before income taxes	**2,420,005**	**2,649,047**	**3,890,522**	**558,838**
Income tax expenses	(255,546)	(157,731)	(626,234)	(89,953)
Net income	**2,164,459**	**2,491,316**	**3,264,288**	**468,886**

	Year Ended December 31,		
	2017	2018	2019
		%	
Revenues:			
Financing income	76.3	46.0	39.7
Sales commission fee	16.7	4.0	4.0
Sales income	0.5	28.3	4.9
Penalty fees	0.2	0.4	0.5
Loan facilitation income and others	6.3	21.3	26.0
Transaction services fee and other related income	—	—	24.9
Total revenues	**100.0**	**100.0**	**100.0**
Cost of revenues and operating expenses:			
Cost of goods sold	(0.5)	(26.1)	(4.1)
Cost of other revenues	(17.9)	(9.5)	(6.1)
Total cost of revenues	**(18.4)**	**(35.6)**	**(10.2)**
Operating expenses:			
Sales and marketing	(9.0)	(7.0)	(3.2)
General and administrative	(3.8)	(3.3)	(3.2)
Research and development	(3.2)	(2.6)	(2.3)
Changes in guarantee liabilities and risk assurance liabilities	(3.1)	(1.5)	(12.9)
Provision for receivables and other assets	(12.9)	(15.3)	(25.8)
Total operating expenses	**(31.9)**	**(29.8)**	**(47.5)**
Other operating income	**1.1**	**0.3**	**1.2**
Income from operations	**50.7**	**35.0**	**43.5**
Interest and investment income, net	0.1	0.5	0.2
Foreign exchange gain/(loss), net	(0.2)	(1.2)	0.1
Other income	0.0	0.2	0.3
Other expenses	(0.0)	(0.0)	(0.1)
Net income before income taxes	**50.7**	**34.5**	**44.0**
Income tax expenses	(5.4)	(2.1)	(7.1)
Net income	**45.3**	**32.4**	**36.9**

Comparison of Year Ended December 31, 2019 and Year Ended December 31, 2018

Total revenues. Our total revenues in 2019 increased by 14.9% to RMB8,840.0 million (US$1,269.8 million) from RMB7,692.3 million in 2018, primarily due to the expansion of our open platform business. Financing income decreased by 0.7% from RMB3,535.3 million in 2018 to RMB3,510.1 million (US$504.2 million) in 2019 primarily due to a decrease in the amount of on-balance sheet transactions. Loan facilitation income and others increased by 39.5% to RMB2,297.4 million (US$330.0 million) in 2019 from RMB1,646.8 million in 2018, as a result of an increase in the amount of off-balance sheet transactions. We also recorded transaction services fee and other related income of RMB2,199.5 million (US$315.9 million) in 2019, as we ramped up our open platform initiative. Sales income decreased to RMB431.9 million (US$62.0 million) from RMB2,174.8 million for 2018 primarily due to the winding down of the Dabai Auto Business. Sales commission fee increased by 16.0% to RMB356.8 million (US$51.3 million) in 2019 from RMB307.5 million in 2018, as a result of an increase in the margins for the relevant merchandise.

Total cost of revenues and operating expenses. Total cost of revenues and operating expenses increased by 1.5% to RMB5,099.8 million (US$732.5 million) in 2019 from RMB5,026.7 million in 2018.

- *Cost of revenues.* Our cost of revenues decreased by 67.0% to RMB901.8 million (US$129.5 million) in 2019 from RMB2,735.4 million in 2018, primarily due to a decrease in costs incurred by the Dabai

Auto business and a decrease in funding costs associated with the on-balance sheet portion of our loan book business as a result of a decrease in on-balance sheet transactions.

- *Sales and marketing expenses*. Our sales and marketing expenses decreased by 48.1% to RMB280.6 million (US$40.3 million) in 2019 from RMB540.6 million in 2018. The decrease was primarily due to a decrease in sales and marketing expenses associated with our Dabai Auto business as we started winding down the business in the second quarter of 2019.
- *General and administrative expenses.* Our general and administrative expenses increased by 11.8% to RMB286.1 million (US$41.1 million) in 2019 from RMB255.9 million in 2018. The increase was primarily attributable to an increase in third-party professional service fee and an increase in share-based compensation expenses for general and administrative personnel.
- *Research and development expenses.* Our research and development expenses increased by 2.6% to RMB204.8 million (US$29.4 million) in 2019 from RMB199.6 million in 2018. The increase was primarily due to an increase in salaries and benefits expenses for research and development staff.
- *Changes in guarantee liabilities and risk assurance liabilities*. We recognized changes in guarantee liabilities and risk assurance liabilities of RMB1,143.4 million (US$164.2 million) in 2019, as compared to changes in guarantee liabilities and risk assurance liabilities of RMB116.6 million we recognized in 2018. The increase was primarily due to an increase in the amount of off-balance sheet transactions that became overdue.
- *Provision for receivables and other assets.* Our provision for receivables and other assets increased by 93.7% to RMB2,283.1 million (US$328.0 million) in 2019 from RMB1,178.7 million in 2018. The increase was primarily due to an increase in the amount of on-balance sheet transactions that became overdue.

Income from operations. Our income from operations in 2019 was RMB3,848.8 million (US$552.8 million), representing a 43.1% increase from RMB2,689.4 million during the prior year.

Income tax expenses. Our income tax expenses increased by 297.0% to RMB626.2 million (US$90.0 million) in 2019 from RMB157.8 million in 2018, primarily due to an increase in taxable income.

Net income. Our net income increased by 31.0% to RMB3,264.3 million (US$468.9 million) in 2019 from RMB2,491.3 million in 2018. Net income attributable to the Company's shareholders per diluted share was RMB10.9 (US$1.6), compared with RMB7.7 in the prior year.

Adjusted net income. Our adjusted net income attributable to the Company's shareholders, which excludes share-based compensation expenses, increased by 31.5% to RMB3,351.6 million (US$481.4 million) from RMB2,549.3 million in the prior year. Adjusted net income attributable to the Company's shareholders per diluted share increased to RMB11.2 (US$1.6) from RMB7.9 in the prior year.

B. Liquidity and Capital Resources

Our primary sources of liquidity have been cash provided by operating activities and funds provided by our investors, including through the issuance of equity securities and convertible debt securities, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements. In October 2017, we completed our initial public offering in which we issued and sold an aggregate of 35,625,000 ADSs, representing 35,625,000 Class A ordinary shares, resulting in net proceeds to us of approximately US$799.6 million.

In 2017, 2018 and 2019, we had net cash provided by operating activities of RMB2,797.8 million, RMB3,332.3 million and RMB5,503.4 million (US$790.5 million), respectively.

As of December 31, 2019, we had cash and cash equivalents of RMB2,860.9 million (US$410.9 million), as compared to cash and cash equivalents of RMB2,501.2 million as of December 31, 2018.

As of December 31, 2019, we had short-term amounts due from Alipay of RMB439.5 million (US$63.1 million), as compared to short-term amounts due from Alipay of RMB718.4 million as of December 31, 2018. These represent amounts deposited in our Alipay accounts, and are unrestricted as to withdrawal and use and readily available to us on demand.

In February and March 2019, Xiamen Qudian, our consolidated VIE, entered into two term loans with China Construction Bank with an aggregate principal amount of RMB195.0 million (US$28.0 million). Each term loan has a fixed interest rate of 3.915% per annum and a term of 12 months. As collateral for such borrowings, our subsidiary Qufenqi (HK) Limited deposited US$33.2 million in a bank account designated by China Construction Bank. We receive interest on such deposits at rates ranging from 3.279% to 3.292% per annum. We had fully repaid such borrowings as of March 31, 2020.

In July 2019, we issued US$345 million aggregate principal amount of convertible senior notes due 2026 (including full exercise of the initial purchasers' option to purchase additional notes), raising US$334.2 million in net proceeds to us after deducting underwriting discounts and commissions and other offering expenses. In connection with the offering of the convertible senior notes, we entered into capped call transactions with the initial purchasers and/or their respective affiliates and used approximately US$28.2 million of the net proceeds of the offering to pay the cost of such transactions. The convertible notes bear interest at a rate of 1.00% per year, payable on July 1 and January 1 of each year, beginning on January 1, 2020. The convertible notes will mature on July 1, 2026, unless earlier redeemed, repurchased or converted in accordance with their terms. As of March 31, 2020, we have repurchased US$137.0 million aggregate principal amount of convertible notes, and the outstanding principal amount was US$208.0 million. The convertible notes may be converted into our ADSs, at the option of the holders, at an initial conversion rate of 106.2756 ADSs per US$1,000 principal amount of notes, or approximately 22,107,875 ADSs, assuming conversion at the initial conversion rate of the entire US$208.0 million aggregate principal amount outstanding as of March 31, 2020.

In November 2019, Xiamen Qudian, our consolidated VIE, entered into an eight-year term and revolving syndicated facility agreement with China Construction Bank and Bank of China, pursuant to which Xiamen Qudian is entitled to borrow a secured loan of RMB1,200 million to be used in connection with the construction in progress, which is guaranteed by Xinjiang Qudian Technology Co., Ltd. and Qufenqi (Ganzhou) Information Technology Co., Ltd. and collateralized by the land-use-right with a carrying amount of RMB104 million (US$15 million) as of December 31, 2019. Outstanding borrowings will accrue interest at a rate equal to the loan prime rate of China plus 0.295%. Xiamen Qudian is required to comply with certain financial covenants, which had been met as of December, 31, 2019. As of December 31, 2019, the aggregate amount of unused lines of credit for such long-term loan was RMB1,200 million (US$172 million).

The following table sets forth our total assets, total liabilities and total net assets as of the dates indicated.

	As of December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Total assets	19,380,416	16,253,375	18,361,604	2,637,479
Total liabilities	9,840,049	5,432,762	6,437,552	924,696
Total net assets[(1)]	9,540,367	10,820,613	11,924,052	1,712,783

(1) Defined as total assets minus total liabilities.

Our total net assets increased from RMB9,540.4 million as of December 31, 2017 to RMB10,820.6 million as of December 31, 2018, primarily as a result of net income of RMB2,491.3 million in 2018, which was

partially offset by the repurchases of Class A ordinary shares of RMB1,410.2 million under the share repurchase program. Our total net assets further increased from RMB10,820.6 million as of December 31, 2018 to RMB11,924.1 million (US$1,712.8 million) as of December 31, 2019, primarily as a result of increase in net income of RMB3,264.3 million (US$468.9 million) in 2019, which was partially offset by the repurchases of Class A ordinary shares of RMB2,087.2 million (US$299.8 million) under the share repurchase program.

The table below sets forth certain balance sheet items related to cash and merchandise credit products. The increase in such line items since December 31, 2017 is in line with our business growth.

	As of December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Short-term loan principal and financing service fee receivables	8,758,545	8,417,821	7,894,697	1,134,002
Long-term loan principal and financing service fee receivables	—	665,653	424	61
Short-term borrowings and interest payables	7,979,415	3,860,441	1,049,570	150,761
Long-term borrowings and interest payables	510,024	413,400	—	—

We believe that the cash we received from our initial public offering, the issuance of convertible senior notes and the 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. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Our Industry — 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 December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
	(in thousands)			
Summary Consolidated Cash Flow Data:				
Net cash provided by operating activities	2,797,809	3,332,319	5,503,389	790,512
Net cash used in investing activities	(4,422,319)	(2,790,734)	(929,559)	(133,523)
Net cash (used in)/provided by financing activities	10,001,639	(6,727,839)	(3,372,335)	(484,406)
Cash and cash equivalents, and restricted cash at beginning of period	785,770	9,084,952	2,841,015	408,086
Cash and cash equivalents, and restricted cash at end of period	9,084,952	2,841,015	4,118,587	591,598

Operating Activities

Net cash provided by operating activities was RMB5,503.4 million (US$790.5 million) in 2019, primarily due to net income of RMB3,264.3 million (US$468.9 million), adjusted for (i) provision for receivables and other assets of RMB2,283.1 million (US$328.0 million), (ii) share-based compensation expenses of RMB87.3 million (US$12.5 million), (iii) interest expense of convertible senior notes of RMB23.9 million (US$3.4 million), and (iv) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) an increase in risk assurance liabilities of RMB1,254.4 million (US$180.2 million) primarily due to an increase in the off-balance sheet transaction for which we provide risk assurance, (ii) an increase in other current and non-current liabilities of RMB439.7 million (US$63.2 million), (iii) a decrease in finance lease receivables of RMB330.2 million (US$47.4 million) primarily as a result of the winding-down of Dabai Auto business and (iv) a decrease in deferred tax assets and liabilities of RMB132.1 million (US$19.0 million), which was partially offset by (i) an increase in contract assets of RMB2,096.5 million (US$301.1 million) and (ii) an increase in other current and non-current assets of RMB119.6 million (US$17.2 million).

Net cash provided by operating activities was RMB3,332.3 million in 2018, primarily due to net income of RMB2,491.3 million, adjusted for (i) provision for receivables of RMB1,178.7 million, (ii) share-based compensation expenses of RMB58.0 million, (iii) share of loss from equity method investment of RMB11.3 million, and (iv) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) a decrease in financing service fee receivables of RMB112.1 million, which was primarily due to the decrease in amount of transactions we facilitated, (ii) an increase in guarantee liabilities of RMB255.6 million, which was primarily due to an increase in the amount of off-balance sheet transactions and (iii) an increase in other current and non-current liabilities of RMB262.7 million, which was primarily due to (i) an increase in tax payable of RMB127.0 million, (ii) an increase in accrued payroll of RMB10.4 million and (iii) an increase in payable to external service providers of RMB7.3 million, which was partially offset by (i) an increase in contract assets of RMB800.0 million, (ii) a decrease in interest payables of RMB62.5 million, which was primarily due to a decrease in borrowings from institutional funding partners, (iii) an increase in deferred tax assets of RMB128.0 million and (iv) an increase in other current and non-current assets of RMB137.1 million, which was primarily due to (i) an increase in inventory of RMB128.0 million and (ii) an increase in receivables from service providers of RMB108.1 million, which was partially offset by a decrease in prepayments for vehicles of RMB110.1 million.

Net cash provided by operating activities was RMB2,797.8 million in 2017, primarily due to net income of RMB2,164.5 million, adjusted for (i) provision for receivables of RMB605.2 million, (ii) share-based compensation expenses of RMB64.1 million, (iii) share of loss from equity method investment of RMB20.7 million, and (iv) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) an increase in interest payables of RMB121.4 million, which was primarily due to an increase in borrowings from institutional funding partners, (ii) an increase in guarantee liabilities of RMB165.6 million, which was primarily due to an increase in the amount of off-balance sheet transactions and (iii) an increase in other current and non-current liabilities of RMB144.7 million, which was primarily due to (i) an increase in tax payable of RMB107.8 million, (ii) an increase in accrued payroll of RMB65.6 million and (iii) a decrease in payable to external service providers of RMB28.8 million, which was partially offset by (i) an increase in financing service fee receivables of RMB79.0 million, which was primarily due to the increase in amount of transactions we facilitated, (ii) an increase in deferred tax assets of RMB97.7 million and (iii) an increase in other current and non-current assets of RMB308.8 million, which was primarily due to (i) an increase in prepayments for cars of RMB141.1 million, (ii) an increase in prepayments for land use right and prepaid expenses of RMB59.8 million and (iii) an increase in guarantee deposits of RMB72.5 million.

Investing Activities

Net cash used in investing activities was RMB929.6 million (US$133.5 million) in 2019, which was attributable to (i) RMB22,760.4 million (US$3,269.3 million) in payments to originate loan principal,

(ii) RMB454.2 million (US$65.2 million) in purchases of short-term investments and (iii) RMB222.7 million (US$32.0 million) in purchases of long-term investments, which was partially offset by (i) RMB22,140.9 million (US$3,180.3 million) in proceeds from collection of loan principal and (ii) RMB457.8 million (US$65.8 million) in proceeds from redemption of short-term investments.

Net cash used in investing activities was RMB2,790.7 million in 2018, which was attributable to (i) RMB37,036.4 million in payments to originate loan principal, and (ii) RMB1,322.0 million in purchases of current assets held for lease, and (iii) RMB1,352.6 million in purchases of short-term investments, which was partially offset by (i) RMB35,184.8 million in proceeds from collection of loan principal and (ii) proceeds from redemption of short-term investments of RMB1,652.6 million.

Net cash used in investing activities was RMB4,422.3 million in 2017, which was attributable to (i) RMB78,473.7 million in payments to originate loan principal, and (ii) RMB1,155.2 million in purchases of short-term investments, which was partially offset by (i) RMB73,958.7 million in proceeds from collection of loan principal and (ii) proceeds from redemption of short-term investments of RMB1,285.4 million.

Financing Activities

Net cash used in financing activities was RMB3,372.3 million (US$484.4 million) in 2019, which was primarily attributable to (i) repayments of borrowings of RMB5,402.4 million (US$776.0 million) and (ii) repurchase of ordinary shares of RMB2,087.2 million (US$299.8 million), which was partially offset by (i) proceeds from convertible senior notes net of issuance cost of RMB2,289.6 million (US$328.9 million) and (ii) proceeds from borrowings of RMB2,251.6 million (US$323.4 million).

Net cash used in financing activities was RMB6,727.8 million in 2018, which was primarily attributable to (i) repayments of borrowings of RMB8,025.9 million, (ii) repurchase of ordinary shares of RMB1,410.2 million, which was partially offset by (i) proceeds from borrowings of RMB2,644.7 million.

Net cash provided by financing activities was RMB10,001.6 million in 2017, which was primarily attributable to (i) proceeds from issuance of ordinary shares of RMB5,339.5 million, which was related to our initial public offering, (ii) proceeds from borrowings of RMB15,989.9 million, representing remittance of funds from institutional funding partners to us, and (iii) proceeds from related parties of RMB850.5 million, primarily representing financing from Guosheng Financing Holding Inc. in connection with its investment in one of our trusts, partially offset by (i) repayment of borrowings of RMB11,825.4 million, representing repayment to the institutional funding partners, (ii) repurchase of ordinary shares of RMB421.2 million, (iii) payment of guarantee deposits to institutional funding partners of RMB161.1 million and (iv) refund of guarantee deposits from institutional funding partners of RMB286.7 million.

Capital Expenditures

We made capital expenditures of RMB11.3 million, RMB140.4 million and RMB76.4 million (US$11.0 million) in 2017, 2018 and 2019, respectively. In these periods, our capital expenditures were mainly used for purchases of equipment and intangible assets, land use rights and leasehold improvements. We will continue to make capital expenditures to meet the expected growth of our business.

Holding Company Structure

Qudian Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiary, consolidated VIEs and their subsidiaries in China. As a result, Qudian 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 VIEs and their 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 VIEs and their 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.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note 2 to our consolidated financial statements, which are included in this annual report.

C. Research and Development

We have focused on and will continue to invest in our technology system, which supports all key aspects of our online platform and is designed to optimize for scalability and flexibility.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2019 that are reasonably likely to have a material effect on our total net revenues, income, profitability, liquidity or capital reserves, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

Since September 2016, we have entered into several arrangements with financial institutions that provides funding directly to borrowers for transactions that we facilitate. From April 2018 to the second quarter of 2019, we also entered into vehicle sales with guarantee arrangements with financial institutions that provides funding directly to car buyers. As of December 31, 2019, guarantee liabilities and risk assurance liabilities related to such arrangement were RMB1,517.8 million (US$218.0 million). As of December 31, 2019, the maximum potential undiscounted future payment we would be required to make was RMB14,139 million (US$2,031 million). See “Item 5. Operating and Financial Review and Prospects — A. Operating Results.”

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our operating lease commitments and long-term borrowings and interest payable as of December 31, 2019.

	Payment due by period					
	Total		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	RMB	US$	RMB			
	(in thousands)					
Operating lease commitments	47,141	6,771	23,907	23,234	—	—
Long-term borrowings and interest payable	—	—	—	—	—	—

Operating lease obligations represent leasing arrangements relating to the lease of our office premises.

Our capital commitments relate primarily to commitments in connection with our plan to build an office building and innovation center. Total capital commitments contracted but not yet reflected in the financial statements amounted to RMB1,156.3 million (US$166.1 million) as of December 31, 2019. All of the commitments relating to the construction will be settled in installments.

Our investment commitment relates to our equity method investee Ganzhou QuCampus Technology Co., Ltd ("Ganzhou QuCampus"). On October 17, 2016, we made a commitment to invest RMB190.0 million in cash for 45.9% of the equity interest in Ganzhou QuCampus which mainly operates computer services, advisory, and online merchandise services. As of December 31, 2019, we contributed RMB70 million (US$10.1 million) in Ganzhou QuCampus and held a 45.9% equity interest in Ganzhou QuCampus.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of March 31, 2020.

Name	Age	Position/Title
Min Luo	37	Chairman and Chief Executive Officer
Long Xu	37	Director
Yingming Li	42	Director
Shengwen Rong	52	Independent Director
Yifan Li	53	Independent Director
Rocky Ta-Chen Lee	47	Independent Director
Yan Gao	39	Vice President of Finance

Mr. Min Luo is our founder, chairman of our board of directors, and, since the inception of our company in 2014, has served as our chief executive officer. Prior to founding our company, Mr. Luo served as a vice president of marketing of OkBuy.com, an online marketplace for apparel and shoe products in China, from 2010 to 2013. Mr. Luo was a founder and chief executive officer of Jiyiri.com, an online birthday-related service provider, from 2007 to 2009, and a co-founder of dipian.com, an online social platform for college students, from 2006 to 2007. Mr. Luo received a bachelor's degree in telecommunication engineering from Jiangxi Normal University in 2004.

Mr. Long Xu has served as our director since November 2019. He joined our company in 2016 as the senior vice president. Mr. Xu has extensive management experience in start-up companies. Before joining us, Mr. Xu cofounded Quwan.com from 2009 to 2015, a retail platform focusing on creative life products. From 2007 to 2009, Mr. Xu and Mr. Min Luo founded Jiyiri.com, a reminder service for anniversary through Internet and mobile communication technology. Between 2005 and 2007, Mr. Xu founded Beijing Time Film Network Technology Co., Ltd., which provides resource liaisons between enterprises and campus, and Mr. Xu served as the chief executive officer. Mr. Xu received his bachelor's degree in resource environment and urban and rural planning from Peking University in 2005.

Mr. Yingming Li has served as our director since December 2019. Currently he holds the position of director and deputy general manager of Guosheng Financial Holding in charge of investments and is the general manager of Shenzhen Guo Sheng Sea Before Investment Co., Limited. Mr. Li has rich experience in enterprise consultancy, valuation, investment banking and equity investments. Mr. Li graduated from Fudan University with a master degree in economics.

Mr. Shengwen Rong has served as our independent director since August 2018. From February 2017 to September 2018, Mr. Rong served as senior vice president and then Chief Financial Officer of Yixia Technology Co., Ltd. Prior to that, Mr. Rong served as the Chief Financial Officer at Quixey, Inc. from 2015 to 2016, the Chief Financial Officer at UCWeb from 2012 to 2014, and the Chief Financial Officer at Country Style Cooking Restaurant Chain Co., Ltd., an NYSE-listed company, from 2010 to 2012. Currently Mr. Rong serves as an independent director and audit committee chair of X Financial (NYSE: XYF). Mr. Rong received a bachelor's degree in international finance from Renmin University, a master's degree in accounting from West Virginia University and an MBA degree from University of Chicago Booth School of Business.

Mr. Yifan Li has served as our independent director since October 2017. Mr. Li has served as a board director and a vice president of Geely Holding Group Co., Ltd., an automotive manufacturing company, since October 2014. From May 2014 to September 2014, he was vice president and international chief financial officer of Sanpower Group Co., Ltd., a company in the technology and modern service industries. From December 2010 to February 2014, he served as vice president and chief financial officer of China Zenix Auto International Co., Ltd., a manufacturer of commercial vehicle wheels listed on the NYSE. Mr. Li is also currently a director and a member of the audit committee for a number of companies, including Xinyuan Real Estate Co., Ltd., a real estate developer listed on the NYSE, Shanghai International Port (Group) Co., Ltd., a port management company listed on the Shanghai Stock Exchange, Heilongjiang Interchina Water Co., Ltd., a water supply and treatment company listed on the Shanghai Stock Exchange, and Huaxin Securities Co., Ltd., a securities company in China. Mr. Li received his MBA from the University of Chicago Booth School of Business in 2000, his master's degree in accounting from University of Texas at Dallas in 1994, and his bachelor's degree in economics from Fudan University in 1989. Mr. Li is a Certified Public Accountant in the United States and a Chartered Global Management Accountant. His business address is Room 815, 1760 Jiangling Road, Binjiang District, Hangzhou, Zhejiang, PRC, 310051.

Mr. Rocky Ta-Chen Lee has served as our independent director since October 2017. Mr. Lee has served as an international partner and head of the U.S. corporate practice of King & Wood Mallesons since January 2017. From June 2010 to December 2016, Mr. Lee served as the Asia managing partner and head of Greater China corporate practice of Cadwalader, Wickersham & Taft LLP. From January 2006 to May 2010, Mr. Lee served as a partner of DLA Piper UK LLP. Mr. Lee received a Juris Doctorate degree from University of California, Los Angeles and a bachelor's degree in arts in legal studies from University of California Berkeley. His business address is 40/F, Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing, China.

Mr. Yan Gao has been our vice president of finance since March 2020 and has served as the financial director of our company since 2017. Prior to joining our company, Mr. Gao worked at PricewaterhouseCoopers from 2003 to 2016, where he rose to the position of senior manager. Mr. Gao received his master's degree in Statistic from Dongbei University of Finance and Economic, and his bachelor's degree in accounting from the Dongbei University of Finance and Economic.

The business address for all of our executive officers and directors is Tower A, AVIC Zijin Plaza, Siming District, Xiamen, Fujian Province 361000, the People's Republic of China.

B. Compensation

In 2019, we and our subsidiaries and consolidated VIEs paid aggregate cash compensation of approximately RMB13.0 million (US$1.9 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 VIEs 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 a housing provident fund. 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.

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 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 borrowers, institutional funding partners, merchandise suppliers 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 have entered 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.

2014 Share Incentive Plan

In August 2014, Qufenqi Inc., the former holding company of Beijing Happy Time, adopted the 2014 Share Incentive Plan, which allows us to grant share awards of such company to our employees, officers, directors and individual consultants who render services to us. The maximum number of shares that may be issued pursuant to all awards under the 2014 plan is 20,824,447 ordinary shares of the former holding company of Beijing Happy Time. On various dates from August 2014 to December 2014, 18,373,219 share options were granted to certain of our employees and a third-party consultant at exercise prices of RMB0.0 per share, which have vesting periods of four years. On various dates in 2015, 2,449,800 share options were granted to certain of our employees at exercise prices of RMB0.0 per share, which have vesting periods of four years. The 2014 Share Incentive Plan was subsequently terminated in 2015.

2015 Share Incentive Plan

On December 26, 2015, Beijing Happy Time adopted the 2015 Share Incentive Plan, which allows us to grant equity awards of virtual shares of Tianjin Happy Share to employees, officers, directors and individual

consultants. Tianjin Happy Share is a limited partnership established under the laws of PRC, which owns 5.24% of the equity interest in Beijing Happy Time as of the date of this annual report. We divided the partnership interest in Tianjin Happy Share into 15,814,019 virtual shares and awarded the options to purchase virtual shares to grantees of the 2015 Share Incentive Plan, which enabled the grantees to enjoy beneficial ownership of Beijing Happy Time through their respective virtual shares in Tianjin Happy Share. On December 26, 2015, all options to purchase 15,814,019 virtual shares were issued to certain of our employees and a third-party consultant to replace the 15,814,019 share options granted to such individuals under the 2014 Share Incentive Plan. All share options granted under the 2014 Share Incentive Plan were canceled.

As of the date of this annual report, the sole general partner of Tianjin Happy Share is Mr. Lianzhu Lv, and the limited partners are certain employees and a third party consultant.

As part of our restructuring in 2016, Tianjin Happy Share, as a shareholder of Beijing Happy Time, entered into the contractual arrangements with Ganzhou Qufenqi and Beijing Happy Time and its other shareholders, according to which Ganzhou Qufenqi will exercise effective control over Beijing Happy Time and realize substantially all of the economic risks and benefits arising from Beijing Happy Time and its subsidiaries in lieu of Tianjin Happy Share and other shareholders of Beijing Happy Time. See “Item. 4 Information on the Company — B. Business Overview — Overview — Our Contractual Arrangements with Consolidated VIEs and Their Shareholders.” for more information.

Furthermore, as part of the restructuring in 2016, Tianjin Happy Share entered into a share entrustment agreement with Qufenqi Holding Limited, pursuant to which Qufenqi Holding Limited holds 15,814,019 ordinary shares of Qudian Inc. as the nominal shareholder on behalf of Tianjin Happy Share. Qufenqi Holding Limited is entitled to exercise the voting rights as the nominal shareholder with regard to these 15,814,019 ordinary shares of Qudian Inc., while the pecuniary interests of these shares belong to Tianjin Happy Share. As such, grantees of the 2015 Share Incentive Plan enjoy the pecuniary interests of the 15,814,019 shares, representing 5.24% of the equity interest of Qudian Inc. in proportion to their relevant numbers of options to purchase virtual shares of Tianjin Happy Share.

As of December 2016, the 2015 Share Incentive Plan was terminated. In April 2017, Tianjin Happy Share and Qufenqi Holding Limited terminated the share entrustment agreement, and we canceled the 15,814,019 shares that Qufenqi Holding Limited holds on behalf of Tianjin Happy Share.

2016 Equity Incentive Plan

On December 9, 2016, Qudian Inc. adopted the 2016 Equity Incentive Plan, which allows us to grant share options, restricted shares, restricted share units and other share-based awards to our employees, directors and consultants. The maximum number of ordinary shares may be subject to equity awards pursuant to the 2016 Equity Incentive Plan is 15,814,019 initially. On January 1, 2018, and on every January 1 thereafter for eight years, the aggregate number of ordinary shares reserved and available for issuance pursuant to awards granted under the 2016 Equity Incentive Plan will be increased by 1.0% of the total number of ordinary shares outstanding on December 31 of preceding calendar year. Unless terminated earlier, the 2016 Equity Incentive Plan will terminate automatically in 2026.

Administration

The 2016 Equity Incentive Plan is administered by (i) the compensation committee, (ii) such other committee of the board to which the board delegates the power to administer the 2016 Equity Incentive Plan or (iii) the board. The administrator will determine the provisions and terms and conditions of each equity award.

Change in Control

In the event of a change in control, the administrator may provide for acceleration of equity awards, purchase of equity awards from holders or replacement of equity awards.

Term

Unless terminated earlier, the 2016 Equity Incentive Plan will continue in effect for a term of ten years from the date of its adoption.

Award Agreements

Generally, equity awards granted under the 2016 Equity Incentive Plan are evidenced by an award agreement providing for the number of ordinary shares subject to the award, and the terms and conditions of the award, which must be consistent with the 2016 Equity Incentive Plan.

Vesting Schedule

The administrator determines the vesting schedule of each equity award granted under the 2016 Equity Incentive Plan, which vesting schedule will be set forth in the award agreement for such equity award.

Amendment and Termination

The board of directors may at any time amend or terminate the 2016 Equity Incentive Plan, subject to certain exceptions.

Granted Options

We have granted options to purchase our Class A ordinary shares to certain of our officers, directors, employees and a third-party consultant pursuant to the 2016 Equity Incentive Plan. Certain options previously granted were subsequently canceled. As of March 31, 2020, options to purchase 5,728,401 Class A ordinary shares remained unvested.

The table below summarizes, as of the date of this annual report, the options we have granted to our directors and executive officers.

Name	Position	Ordinary Shares Underlying Options Awarded	Option Exercise Price	Grant Date	Option Expiration Date
Lianzhu Lv[(1)]	Director	5,695,219	US$0.0	December 30, 2016	December 8, 2026
		500,000	US$0.0	December 20, 2018	December 20, 2028
		460,000	US$0.0	September 22, 2019	September 22, 2029
		330,000	US$0.0	December 25, 2019	December 25, 2029
Long Xu	Director	*	US$0.0	February 23, 2016	February 23, 2026
		*	US$0.0	December 20, 2018	December 20, 2028
		*	US$0.0	September 22, 2019	September 22, 2029
		*	US$0.0	December 25, 2019	December 25, 2029
Yifan Li	Independent director	*	US$0.0	October 17, 2017	December 8, 2026
		*	US$0.0	June 14, 2019	June 14, 2029
Rocky Ta-Chen Lee	Independent director	*	US$0.0	October 17, 2017	December 8, 2026
		*	US$0.0	June 14, 2019	June 14, 2029
Shengwen Rong	Independent director	*	US$0.0	November 30, 2018	November 30, 2028
		*	US$0.0	June 14, 2019	June 14, 2029
Yan Gao	Vice President of Finance	*	US$0.0	May 3, 2017	May 3, 2027
		*	US$0.0	March 12, 2018	March 12, 2028
		*	US$0.0	December 20, 2018	December 20, 2028
		*	US$0.0	September 22, 2019	September 22, 2029
		*	US$0.0	December 25, 2019	December 25, 2029

* Less than 1% of our outstanding shares, assuming conversion of our preferred shares into ordinary shares.
(1) Mr. Lianzhu Lv ceased to be a director of our company in November 2019.

Equity Incentive Trust

The Qudian Inc. Equity Incentive Trust, or the Equity Incentive Trust, is a trust established by a deed dated December 30, 2016 between us and Ark Trust (Hong Kong) Limited, or Ark Trust, as trustee of the Equity Incentive Trust, through which our ordinary shares, dividends and other rights and interests under awards granted pursuant to our equity incentive plans may be provided to certain of recipients of equity awards granted pursuant to our share incentive plans.

Participants in the Equity Incentive Trust transfer their equity awards to Ark Trust to be held for their benefit. Upon satisfaction of vesting conditions and request by grant recipients, Ark Trust will exercise the equity awards and transfer the relevant ordinary shares, dividends and other rights and interest under the equity awards to the relevant grant recipients.

In April 2017, we directly issued 13,865,219 ordinary shares pursuant to our 2016 Equity Incentive Plan to Ark Trust in its capacity as trustee of the Equity Incentive Trust. As of March 31, 2020, 187,500 of such ordinary shares are underlying shares of unvested options, and such shares are deemed not outstanding. The trust deed provides that Ark Trust shall not exercise the voting rights attached to such ordinary shares unless otherwise directed by the plan administrator, which is our board of directors as of the date of this annual report, or its authorized representative.

C. Board Practices

Our board of directors consists of six directors. 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.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the committees. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Yifan Li, Rocky Ta-Chen Lee, and Shengwen Rong. Yifan Li is the chairperson of our audit committee. Yifan Li satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Yifan Li, Rocky Ta-Chen Lee, and Shengwen Rong satisfies the requirements for an "independent director" within the meaning of Section 303A of the NYSE Listed Company Manual and will meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act. Our audit committee will consist solely of independent directors within one year of our initial public 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;
- 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 consists of Yifan Li, Rocky Ta-Chen Lee, and Shengwen Rong. Yifan Li is the chairperson of our compensation committee. Each of Yifan Li, Rocky Ta-Chen Lee, and Shengwen Rong satisfies the requirements for an "independent director" within the meaning of Section 303A of the NYSE Listed Company Manual.

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 consists of Yifan Li, Rocky Ta-Chen Lee, and Min Luo. Rocky Ta-Chen Lee is the chairperson of our nominating and corporate governance committee. Each of Yifan Li and Rocky Ta-Chen Lee satisfies the "independence" requirements of Section 303A of the NYSE Listed Company Manual. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

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

Duties of Directors

Under Cayman Islands law, our directors have a 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 second 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;
- selecting senior management such as managing directors and executive directors;
- providing employee benefits and pension;
- managing our company's finance and bank accounts;

- 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 second 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 second 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 six 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.

Guosheng HK is a principal shareholder of our company. On April 25, 2020, Guosheng HK, its parent company Guosheng Financial Holding Inc. and Mr. Min Luo (solely in his capacity as our director and the chairman of our board of directors) entered into a deed of undertaking, or the deed. Pursuant to the deed, for a period of three years, Mr. Luo undertakes (i) not to remove the director designated by Guosheng HK and (ii) in the event such designee no longer serves our director, to nominate another designee of Guosheng HK to fill such vacancy and vote in favor of such nomination. Furthermore, for a period of three years, Mr. Luo undertakes to keep the number of directors designated by Guosheng HK equal to one sixth of the total number of directors of our company (rounded down the nearest whole number), provided that such number will in no event be less than one. Mr. Luo's undertakings pursuant to the deed are subject to his duties and obligations as our director and the chairman of our board of directors. Currently, Mr. Yingming Li is the director designated by Guosheng HK. Guosheng HK is further described under "Item 6. Directors, Senior Management and Employees — E. Share Ownership."

Pursuant to the deed, Guosheng Financial Holdings Inc. agrees to use its reasonable commercial efforts to establish comprehensive business cooperation with our Company. The scope of such cooperation will include but not limited to: (i) financing for Wanlimu, our online luxury fashion products platform, (ii) introduction of foreign and domestic business partners to facilitate the development of Wanlimu, and (iii) introduction of institutional funding partners for our consumer credit business.

The undertakings by (i) Mr. Luo on the one hand and (ii) Guosheng Financial Holdings Inc. on the other hand are mutually conditioned upon the relevant counterparty's compliance with its own undertakings under the deed.

D. Employees

As of December 31, 2019, we had a total of 947 employees. The following table sets forth the breakdown of our employees as of December 31, 2019 by function:

Function	Number of Employees	% of Total
Risk management	163	17.2
Technology and product development	269	28.5
Finance	145	15.3
Operation management	107	11.3
General administrative and others	134	14.1
New businesses[(1)]	3	0.3
Sales and marketing[(2)]	52	5.5
Dabai Auto[(3)]	74	7.8
Total	947	100.0

(1) The size of our new business team decreased from 103 as of December 31, 2018 to three as of December 31, 2019. The decrease was primarily due to changes in our new business projects.

(2) The size of our sales and marketing team decreased from 159 as of December 31, 2018 to 52 as of December 31, 2019. The decrease was primarily due to the winding-down of our Dabai Auto business.

(3) The size of our Dabai Auto team decreased from 184 as of December 31, 2018 to 74 as of December 31, 2019. The decrease was a result of the winding-down of our Dabai Auto business.

As of December 31, 2019, a majority of our employees were based in Xiamen in Fujian Province and Fuzhou in Jiangxi Province. The remainders of our employees were based in various other locations across China.

The number of our employees decreased from 1,154 as of December 31, 2018 to 947 as of December 31, 2019, primarily due to the winding-down of the Dabai Auto business.

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 qualified personnel and maintain a stable core management team. We plan to hire additional experienced and talented employees in the areas such as big data analytics, risk management and operation management as we expand our business.

As required by PRC regulations, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. 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 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.

E. Share Ownership

The following table sets forth information as of the date of this annual report 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.

The total number of ordinary shares outstanding as of March 31, 2020 was 253,719,036, comprising 190,227,864 Class A ordinary shares and 63,491,172 Class B ordinary shares, excluding (i) ordinary shares represented by the ADSs repurchased by the Company; (ii) ordinary shares underlying unvested options that are issued but deemed to be not outstanding and held by Ark Trust in its capacity as trustee of the Equity Incentive Trust or Deutsche Bank Trust Company Americas in its capacity as the depositary bank, (iii) ordinary shares issuable upon the exercise of outstanding share options and (iv) ordinary shares reserved for future issuance under our share incentive plans:

	Ordinary Shares Beneficially Owned			
	Class A ordinary shares	Class B ordinary shares	Percentage of total ordinary shares	Percentage of aggregate voting power**
Directors and Executive Officers:				
Min Luo(1)	—	63,491,172	25.0	76.9
Lianzhu Lv	*	—	*	*
Long Xu	*	—	*	*
Yingming Li	—	—	—	—
Shengwen Rong	*	—	*	*
Yifan Li	*	—	*	*
Rocky Ta-Chen Lee	*	—	*	*
Yan Gao	*	—	*	*
Directors and Executive Officers as a Group	2,813,580	63,491,172	26.1	77.3
Principal Shareholders				
Qufenqi Holding Limited	—	63,491,172	25.0	76.9
Guosheng HK(2)	12,770,000	4,125,698	6.7	6.5

* Beneficially owns less than 1% of our outstanding shares.

** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. In respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes, voting together as one class. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

(1) Represents 63,491,172 Class B ordinary shares held by Qufenqi Holding Limited, a limited liability company established in the British Virgin Islands. Qufenqi Holding Limited is indirectly wholly owned by a trust of which Mr. Min Luo and his wife are the beneficiaries. Mr. Min Luo is our founder, chairman of the board and chief executive officer. The registered address of Qufenqi Holding Limited is Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands. Pursuant to a proxy and

power of attorney dated April 25, 2020, or the Guosheng proxy, Qufenqi Holding Limited appointed Guosheng HK as its proxy and attorney-in-fact with respect to 4,125,698 Class B ordinary shares held by Qufenqi Holding Limited. The Guosheng proxy provides Guosheng HK with the power to exercise the voting rights relating to the 4,125,698 Class B ordinary shares. Guosheng HK is further described in footnote 2 below.

(2) Represents (i) 12,770,000 Class A ordinary shares held by Guosheng HK and (ii) 4,125,698 Class B ordinary shares subject to the Guosheng proxy. The Guosheng proxy is further described in footnote 1 above. Information regarding beneficial ownership in Class A ordinary shares is reported as of December 31, 2019, based on the information contained in the Schedule 13G/A filed by Phoenix Entities on February 11, 2020. Guosheng HK is a limited liability company incorporated under the laws of Hong Kong and a subsidiary of Guosheng Financial Holding Inc., or Guosheng, a public company listed on the Shenzhen Stock Exchange. Based on Guosheng's public filings, Mr. Li Du has control over Guosheng as of the date of this annual report. The registered address of Guosheng HK is Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong. According to the relevant Schedule 13G/A filings made by the Phoenix Entities, Phoenix Auspicious Fintech Investment L.P. held 22,367,426 Class A ordinary shares as of December 31, 2018 and held no equity interest in our company as of December 31, 2019.

Source Code Accelerate L.P., which used to hold approximately 13.7% of our total ordinary shares as of March 31, 2018, has ceased to be a major shareholder of our company and held no equity interest in our company as of December 31, 2018, according to a Schedule 13G it filed on February 13, 2019.

According to the relevant Schedule 13G/A filings made by API (Hong Kong) Investment Limited held 37,720,709 Class A ordinary shares as of December 31, 2017 and held no equity interest in our company as of April 30, 2019.

Based on a Schedule 13G filed by on February 1, 2019, Kunlun Group Limited held 37,294,934 Class A ordinary shares as of December 31, 2018. Based on a Schedule 13G filed on February 13, 2018, Ever Bliss Fund, L.P. held 18,449,253 Class A ordinary shares as of December 31, 2017, and Joyful Bliss Limited held 1,930,098 Class A ordinary shares as of December 31, 2017. Ever Bliss Fund, L.P. and Joyful Bliss Limited are collectively referred to as Zhu Entities. Both Kunlun Group Limited and the Zhu Entities have ceased to be our principal shareholders.

We are not aware of any of our shareholders being affiliated with a registered broker-dealer or being in the business of underwriting securities.

Except as otherwise disclosed in this annual report on Form 20-F, none of our existing shareholders has voting rights that differ from the voting rights of other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

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

B. Related Party Transactions

Transactions and Agreements with Ant Financial and Its Related Parties

We have been collaborating with Ant Financial, one of our principal shareholders, in multiple areas of our business. Ant Financial ceased to be a related party since December 8, 2018.

We incurred RMB114.2 million and RMB58.8 million of payment processing and settlement fees to Alipay in 2017 and the period from January 1, 2018 to December 8, 2018, respectively.

We incurred RMB21.4 million and RMB9.3 million of fees related to credit analysis information provided by Zhima Credit in 2017 and the period from January 1, 2018 to December 8, 2018, respectively.

We incurred RMB16.0 million and nil of borrower engagement fees to Zhima Credit in 2017 and 2018, respectively. We incurred RMB222.1 million and RMB32.5 million of borrower engagement fees to Alipay in 2017 and the period from January 1, 2018 to December 8, 2018, respectively.

We incurred RMB23.2 million and RMB30.3 million of fees related to cloud computing services provided by Alibaba Cloud Computing Co., Ltd. in 2017 and the period from January 1, 2018 to December 8, 2018, respectively.

Amounts due from Alipay was RMB549.8 million as of December 31, 2017. These are amounts deposited in our Alipay accounts and are unrestricted as to withdrawal and use and readily available to us on demand. We use our Alipay accounts to disburse credit to and collect repayments from borrowers.

Amounts due to Zhima Credit was RMB3.1 million as of December 31, 2017. Such amounts represent fees related to credit analysis information and borrower engagement fees payable to Zhima Credit.

In August 2018, our agreement with Ant Financial relating to user engagement through Alipay's dedicated channel for online third-party service providers expired and both parties have decided not to renew the agreement.

Transactions with Guosheng

Guosheng Financial Holding Inc. and Guosheng Securities Asset Management Co., Ltd. were controlled by a director of our Company before August 24, 2018. These entities invested in our trusts, and such investments were recognized as borrowings by us.

We incurred RMB56.7 million and RMB42.9 million of interest expenses to Guosheng Financial Holding Inc. in 2017 and the period from January 1, 2018 to August 24, 2018, respectively.

We incurred nil, RMB2.3 million and RMB5.2 million of interest expenses to Guosheng Securities Asset Management Co., Ltd. in 2016, 2017 and the period from January 1, 2018 to August 24, 2018, respectively.

Transactions with Certain Other Members of Our Key Management and Their Immediate Families

Besides our transactions with Guosheng, we have engaged in transactions with certain other members of our key management and their immediate families, none of whom are our executive officers or directors.

As of December 31, 2017, we had amounts due from our key management and their immediate families of RMB1.0 million, and nil as of December 31,2018 and 2019, respectively. Such amounts represented (i) principal and financing service fee receivables from certain of our key management and their immediate families who utilized our credit products and (ii) advances to certain of our key management in connection with our daily operations, such as use by the relevant employees to purchase domain names that were subsequently transferred to us.

Transactions with the Former Holdings Companies of Beijing Happy Time

As of December 31, 2015, we had amounts due to Qufenqi Inc., a former holding company of Beijing Happy Time, and Qufenqi (HK) Limited, a former holding company of Ganzhou Qufenqi, of RMB368.3 million

and RMB1,092.3 million, respectively. Such amounts have been substantially settled. As of December 31, 2017, we had amounts due to Qufenqi Inc. of RMB0.9 million, and nil as of December 31, 2018 and 2019, respectively, which was interest free and payable on demand.

As of December 31, 2016, we had amounts due from Qufenqi Inc. of RMB180.0 million. Such amounts primarily consisted of a financing commitment from a shareholder to acquire equity interests in Qufenqi Inc., which has not been consummated. We have substantially settled such amounts in April 2017.

Contractual Arrangements with Our VIEs and Their Shareholders

PRC laws and regulations currently restrict foreign ownership and foreign investment in VATS in China. As a result, we operate our relevant business through contractual arrangements among Ganzhou Qufenqi, our wholly-owned PRC subsidiary, Beijing Happy Time, our consolidated VIE, and the shareholders of Beijing Happy Time. We established four new consolidated VIEs, Ganzhou Qudian, Hunan Qudian and Xiamen Qudianin 2017 and Xiamen Weipujia in 2018. Ganzhou Qufenqi has also entered into a series of contractual arrangements with the aforementioned four consolidated VIEs and its shareholders. In addition, we established a new consolidated VIE, Xiamen Qu Plus Plus in 2019 and control it through a series of contractual arrangements among Xiamen Youxiang, our wholly-owned PRC subsidiary, Xiamen Qu Plus Plus, and the shareholders of Xiamen Qu Plus Plus. For a description of these contractual arrangements, see “Item 4. Information on the Company — B. Business Overview — Overview — Our Contractual Arrangements with Consolidated VIEs and Their Shareholders.”

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in 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.

We and certain of our directors and officers were named as defendants in four putative securities class actions filed in the United States District Court for the Southern District of New York: *Ramnath v. Qudian Inc. et al*., Civil Action No. 1:17-cv-09741-RA (S.D.N.Y.), *Maia v. Min Luo et al*., Civil Action No. 1:17-cv-09796-RA (S.D.N.Y.), *Foat v. Qudian Inc. et al*., Civil Action No. 1:17-cv-09875-RA (S.D.N.Y.), and *Perez v. Qudian Inc. et al*., Civil Action No. 1:17-cv-09903-RA (S.D.N.Y.) (collectively, the “Federal Actions”). The Federal Actions — purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their purchase of our ADSs pursuant and/or traceable to our IPO — allege violations of Sections 11 and 15 of the United States Securities Act of 1933 in connection with our disclosure of business and regulatory risks.

On March 16, 2018, the Court entered an order consolidating the Federal Actions under master caption In re Qudian Inc. Securities Litigation, Master File No. 1:17-cv-09741-RA (S.D.N.Y.) and appointing lead plaintiffs and lead counsel for the consolidated case. On May 18, 2018, Plaintiffs filed a Consolidated Amended Complaint, and, on July 27, 2018, Plaintiffs filed a Second Amended Complaint. On October 12, 2018, we filed a motion to dismiss the Second Amended Complaint for failure to state a claim under the federal securities laws.

On September 27, 2019, the Court issued an Order (the "Order") granting in part and denying in part our motion to dismiss the Second Amended Complaint. The Order granted the motion to dismiss with leave to amend the Second Amended Complaint with respect to certain of Plaintiffs' allegations, and denied the motion to dismiss with respect to the launch of the Company's Dabai Auto business. On October 17, 2019, Plaintiffs filed a stipulation confirming that they will not seek to amend the Second Amended Complaint.

On November 8, 2019, Plaintiffs filed a motion asking the court to reconsider the Order with respect to one of the dismissed allegations. On December 6, 2019, the Company filed an opposition to the motion for reconsideration. On December 20, Plaintiffs filed a reply in support of the motion for reconsideration. A decision on the motion is pending.

We and certain of our directors and officers were also named as defendants in Song v. Qudian Inc. et al., Case No. 18CIV01425 (Cal. Supr. Ct., San Mateo Cty.), a putative securities class action filed in the Superior Court of California, County of San Mateo (the "California Action"). The California Action — purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their purchase of our ADSs pursuant and/or traceable to our IPO — alleges violations of Sections 11, 12(a)(2), and 15 of the United States Securities Act of 1933 in connection with our disclosure of business and regulatory risks. On May 15, 2018, we filed a motion to stay the action in light of, inter alia, the Federal Actions. Plaintiff filed an opposition to the motion to stay on June 8, 2018, and we filed a reply on June 22, 2018. A hearing on the motion to stay was held on September 14, 2018. On December 21, 2018, the court granted our motion to stay.

We and certain of our directors and officers were also named as defendants in two putative securities class actions filed in New York Supreme Court, Panther Partners Inc. v. Qudian Inc., Index No. 651804/2018 (N.Y. Sup. Ct., N.Y. Cty.), and The Morrow Property Trust v. Qudian Inc., Index No. 653047/2018 (N.Y. Sup. Ct., N.Y. Cty.) (collectively, the "New York State Actions"). The New York State Actions — purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their purchase of our ADSs pursuant and/or traceable to our IPO — similarly allege violations of Sections 11, 12(a)(2), and 15 of the United States Securities Act of 1933 in connection with our disclosure of business and regulatory risks. On August 15, 2018, the two putative securities class actions were consolidated by joint stipulation under the master caption In re Qudian Inc. Securities Litigation, Index No. 651804/2018 (N.Y. Sup. Ct., N.Y. Cty.). On June 1, 2018, we filed a motion to dismiss the actions for failure to state a claim or, alternatively, to stay the actions in light of the Federal Actions. On August 24, 2018, Plaintiffs filed an opposition to our motion to dismiss or stay, and we filed a reply on October 5, 2018. A hearing was held on November 8, 2018. On November 14, 2018, the court granted our motion to stay.

On January 24, 2020, Plaintiffs filed a motion to lift the stay and file an amended complaint. We filed an opposition to the motion on February 21, 2020, and Plaintiffs filed a reply on March 6, 2020. A decision on the motion is pending.

We and certain of our officers and directors were also named as defendants in a putative securities class action filed on January 22, 2020 in the United States District Court for the Southern District of New York, captioned *Bellingham v. Qudian Inc*., Case 1:20-cv-00577 (S.D.N.Y.) (the "Bellingham Action"). The Bellingham Action alleges violations of Sections 10(b) and 20(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder in connection with our FY19 financial guidance and certain related public statements. Pursuant to a joint stipulation and order entered by the Court on March 5, 2020, the parties will submit a proposed schedule for the Company to respond to the complaint in the Bellingham Action within 21 days after the Court appoints a Lead Plaintiff in the action. On April 7, 2020, the Court entered a stipulated order appointing Co-Lead Plaintiffs and Co-Lead Counsel. An initial conference is set for June 18, 2020.

For risks and uncertainties relating to the pending cases against us, please see "Item 3. Key Information — D. Risk Factors — Risks Related to Our ADSs — We have been named as a defendant in eight putative shareholder class action lawsuits that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation."

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 Class A 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 Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A 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.

B. Significant Changes

We have not experienced any other significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our ADSs, each representing one of our Class A ordinary share, have been listed on the New York Stock Exchange since October 18, 2017 under the symbol “QD.”

B. Plan of Distribution

Not Applicable.

C. Markets

See “— A. Offering and Listing Details.”

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our second amended and restated memorandum of association contained in our F-1 registration statement (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017. Our shareholders adopted our second amended and restated memorandum and articles of association by unanimous resolutions passed on May 3, 2017, and effective immediately prior to the completion of our initial public offering of common shares represented by our ADSs.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

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

E. Taxation

The following is a general summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences relevant to an investment in our ADSs and Class A 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 annual report, 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 Class A 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 Class A 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.

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for us is for a period of twenty years from November 29, 2016.

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, which took effect on January 1, 2008 and was last amended on April 23, 2019, further defines 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 currently 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 number of unfavorable PRC tax consequences could follow. One example is a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs. 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.

On April 30, 1984, China and the United States (each a "Contracting State") entered into an agreement for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income, or the Sino-US Treaty. The Sino-US Treaty provides that, among others, subject to certain conditions and limitations, dividends paid by a company which is a resident enterprise of one Contracting State, to a resident (an individual citizen or a resident enterprise) of the other Contracting State, or interest arising in one Contracting State and paid to a resident of the other Contracting State, may be taxed in that other Contracting State, such dividend or interest may also be taxed in the Contracting State where the company paying the dividends is a resident, or the interest arises, according to the laws of such Contracting State, but if the recipient of dividend or interest is the beneficial owner of the dividend or interest, the tax so charged shall not exceed 10% of the gross amount of the dividend or the interest. The Sino-US Treaty also provides several methods for the elimination of double taxation: (1) in China, (a) where a resident of China derives income from the United States, the amount of the United States income tax payable in respect of that income in accordance with the provisions of the Sino-US Treaty shall be allowed as a credit against the Chinese tax imposed on that resident. The amount of credit, however, shall not exceed the amount of the Chinese tax computed with respect to that income in accordance with the taxation laws and regulations of China; (b) where the income derived from the United States is a dividend paid by a company which is a resident of the United States to a company which is a resident of China and which owns not less than 10% of the shares of the company paying the dividend, the credit shall take into account the United States income tax payable by the company paying the dividend in respect of the profits out of which the dividends are paid; (2) in the United States, in accordance with the provisions of the law of the United States, the United States shall allow to a resident or citizen of the United States as a credit against the United States tax on income: (a) the income tax paid to China by or on behalf of such resident or citizen; and (b) in the case of a United States company owning at least 10% of the voting rights in a company which is a resident of China and from which the United States company receives dividends, the income tax paid to China by or on behalf of the distributing company with respect to the profits out of which the dividends are paid; and (3) income

derived by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with the Sino-US Treaty shall be deemed to arise in that other Contracting State.

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 Class A ordinary shares as of the date hereof. This discussion deals only with ADSs and Class A ordinary shares that are held as capital assets by a United States Holder (as defined below).

As used herein, the term "United States Holder" means a beneficial owner of our ADSs or Class A 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 Class A 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 person required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement;
- 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 Class A 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 Class A 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 Class A 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 Class A 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 Class A ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of Class A 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 Class A ordinary shares (including any amounts withheld to reflect potential 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 Class A 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 Class A 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 generally 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 are listed on the NYSE) are readily tradable on an established securities market in the United States. Since we do not expect that our Class A 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 generally 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 Class A ordinary shares, regardless of whether such shares are represented by ADSs, may 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.

In addition, notwithstanding the forgoing, 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 (a "PFIC") in the taxable year in which such dividends are paid or in the preceding taxable year. As discussed below under "—Passive Foreign Investment Company," we believe that there is a significant risk that we will be classified as a PFIC for 2019, and we may be classified as a PFIC in future taxable years.

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 Class A 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, Class A ordinary shares or rights to subscribe for ADSs or Class A 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

In general, we will be a PFIC for United States federal income tax purposes 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, 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). 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 VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the stock of our consolidated VIEs. If it is determined, contrary to our view, that we do not own the stock of our consolidated VIEs 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.

We consider ourselves as a service provider with the primary business purpose of focusing on our data technology. We aim to facilitate credit to borrowers that are funded by institutional funding partners rather than

by using our own capital. As such, fees received from borrowers for on-balance sheet transactions are recorded as financing income, while fees received from institutional funding partners in connection with off-balance sheet transactions are recorded as loan facilitation income and other related income on our consolidated statements of operations. However, we have historically funded, and may continue to fund, credit drawdowns with our own capital. In such case, the fees received from borrowers may be treated as interest for purposes of the PFIC rules. Certain proposed Treasury regulations (upon which taxpayers may rely) provide that, if certain conditions are fulfilled, interest that is treated as derived in the active conduct of a financing business will not be treated as passive income for purposes of the PFIC rules. However, given the nature of our business and composition of our income overall, there is a significant risk that we will not qualify for this exception. Given the foregoing and based on the past and projected composition and classification of our income and assets, we believe that there is a significant risk that we will be classified as a PFIC for 2019, and we may be classified as a PFIC in future taxable years. However, there are uncertainties in the application of the PFIC rules to a company with our particular business operations, in particular related to the classification of our income as active or passive. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that our PFIC status may change due to changes in our asset or income composition. The calculation of the value of our assets will also be based, in part, on the quarterly market value of our ADSs, which is subject to change. Therefore, 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 Class A 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 Class A 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 Class A 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 Class A ordinary shares. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Class A 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 Class A 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 Class A 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 Class A 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 Class A ordinary shares provided such ADSs or Class A ordinary shares are treated as "marketable stock." The ADSs or Class A ordinary shares generally will be treated as marketable stock if the ADSs or Class A 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 since the ADSs are listed on the NYSE 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 should also be noted that it is intended that only the ADSs and not the Class A ordinary shares will be

listed on the NYSE. Consequently, if you are a holder of Class A 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, you 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 Class A 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 the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. 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 Class A ordinary shares in any year in which we are classified as a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or Class A ordinary shares if we are considered 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 Class A ordinary shares in an amount equal to the difference between the amount realized for the ADSs or Class A ordinary shares and your tax basis in the ADSs or Class A 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 Class A 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 Class A 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 Class A ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or Class A 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.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You also can request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site. Additionally, we will post this annual report on Form 20-F on our website at http://ir.qudian.com.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

Not applicable.

ITEM 11. 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, QD Technologies Limited and QD Data Limited is the U.S. dollar. The functional

currency of our subsidiary in the PRC, the VIEs and the VIEs' 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 had a foreign exchange gain, net, of RMB6.6 million (US$1.0 million) in 2019.

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. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the Renminbi more flexible, which increases the possibility of sharp fluctuations of the Renminbi's value in the near future and the unpredictability associated with the Renminbi's exchange rate. Since then, 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. In 2017, however, the RMB appreciated approximately 6.7% against the U.S. dollar; and in 2018, the RMB depreciated approximately 5.7% against the U.S. dollar. 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.

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 annual report, 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.

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 2017, December 2018 and December 2019 were increases of 1.8%, 1.9% and 4.5%, 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.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not Applicable

B. Warrants and Rights

Not Applicable

C. Other Securities

Not Applicable

D. American Depositary Shares

Depositary Fees

Under the terms of the deposit agreement for our ADSs, an ADS holder will be required to pay the following service fees to the depositary and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of ADSs):

Service	Fees
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	• Up to US$0.05 per ADS issued
• Cancelation of ADSs, including the case of termination of the deposit agreement	• Up to US$0.05 per ADS canceled
• Distribution of cash dividends	• Up to US$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	• Up to US$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights.	• Up to US$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	• Up to US$0.05 per ADS held
• Depositary services	• Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary

Depositary Charges

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

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

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

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

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time.

Payments by Depositary

In 2019, excluding withholding tax, we received US$2.97 million cash payment from Deutsche Bank Trust Company Americas, the depositary bank for our ADR program.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

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

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File No. 333-220511) in relation to our initial public offering, which was declared effective by the SEC on October 17, 2017. In October 2017, we completed our initial public offering in which we issued and sold an aggregate of 35,625,000 ADSs, representing 35,625,000 Class A ordinary shares, resulting in net proceeds to us of approximately US$799.6 million.

As of December 31, 2019, we had used a portion of the net proceeds received from our initial public offering, which consisted of US$300.0 million for capital contribution to fund our Dabai Auto business and US$298.2 million to repurchase our outstanding ADSs, including commission paid to brokers.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our principal executive officer and our principal accounting officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, as of December 31, 2019. Based on that evaluation, our principal executive officer and principal accounting officer have concluded that our disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this annual report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the Commission.

Management’s Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, our management conducted an

assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria established within the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of December 31, 2019, our internal control over financial reporting was effective. Our independent registered public accounting firm, Ernst & Young Hua Ming LLP has audited the effectiveness of our internal control over financial reporting as of December 31, 2019, as stated in its report, which appears on page F-6 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined Yifan Li, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers and employees. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1(File No. 333-220511), as amended, initially filed with the SEC on September 18, 2017. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our independent public accountant for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Year Ended December 31,	
	2018	2019
	(In thousands of RMB)	
Audit Fees[(1)]	13,000	17,630
Tax Fees[(2)]	550	555
Total	13,550	18,185

(1) Audit fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our independent public accountant for the audit and review of our financial statements and services related to our issuance of the convertible senior notes.

(2) Tax fees include the aggregated fees billed in each of the fiscal periods listed for professional services rendered by our independent public accountant for tax compliance, tax advice and tax planning.

The policy of our audit committee or our board of directors is to pre-approve all audit and non-audit services provided by our independent public accountant, including audit services, audit-related services and other services as described above. All of the services of Ernst & Young Hua Ming LLP for 2019 and 2018 described above were in accordance with the audit committee pre-approval policy.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth information about our purchases of outstanding ADSs from November 21, 2017 to March 31, 2020:

Period	Total Number of ADSs Purchased	Average Price Paid per ADS[1]	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs[2]	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Program[2]
November 21, 2017 through November 30, 2017	2,474,836	US$ 14.06	2,474,836	US$ 265.2 million
December 2017	2,062,279	US$ 13.92	2,062,279	US$ 236.5 million
June 2018	8,958,483	US$ 9.58	8,958,483	US$ 150.7 million
August 2018	85,000	US$ 6.00	85,000	US$ 150.2 million
September 2018	9,781,767	US$ 5.27	9,781,767	US$ 98.6 million
October 2018	8,358,409	US$ 4.68	8,358,409	US$ 59.5 million
November 2018	1,702,700	US$ 5.12	1,702,700	US$ 50.8 million
December 2018	4,351,400	US$ 5.34	4,351,400	US$ 327.6 million
April 2019[3]	18,173,885	US$ 5.68	18,173,885	US$ 224.4 million
August 2019	26,169,241	US$ 7.45	26,169,241	US$ 29.4 million
March 2020	513,990	US$ 1.95	513,990	US$ 499.0 million
Total	82,631,990	US$ 6.92	82,631,990	US$ 499.0 million

(1) Each of our ADSs represents one Class A ordinary share. The average price per ADS is calculated using the execution price for each repurchase excluding commissions paid to brokers.

(2) We announced a share repurchase program approved by our board of directors in November 2017, under which we may repurchase up to US$300 million worth of our outstanding ADSs over a period of twelve months. We further announced a share repurchase program in December 2018, under which we may repurchase up to US$300 million worth of our outstanding ADSs over a period of twelve months, in addition to any further repurchases that may be made under the program announced in November 2017. We further announced a share repurchase program in January 2020, under which we may repurchase up to US$500 million worth of our outstanding ADSs over a period of 30 months. The repurchases have been, and will be, through various means, including open market transactions, privately negotiated transactions, tender offers or any combination thereof. The repurchases have been, and will be, effected in compliance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and our insider trading policy. The number of ADSs repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, price, trading volume and general market conditions.

(3) On April 29, 2019, we purchased all 18,173,885 of our Class A ordinary shares then held by Kunlun at a price of US$5.678 per share, or an aggregate consideration of US$103.2 million.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing one ordinary share, are listed on the New York Stock Exchange. Under Section 303A of

the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions.

Under the New York Stock Exchange Listed Company Manual, or the NYSE Manual, U.S. domestic listed companies are required to have a compensation committee and a nominating/corporate governance committee, each composed entirely of independent directors, which are not required under the Companies Law (2018 Revision) of the Cayman Islands, our home country. Currently, our nominating and corporate governance committee is composed of three members, only two of whom are independent directors. The NYSE Manual also requires U.S. domestic listed companies to regularly hold executive sessions for non-management directors, or an executive session that only includes independent directors at least once a year. We are not subject to this requirement under the Cayman Islands law and have decided to follow our home country practice on this matter. In addition, the NYSE Manual requires shareholder approval for certain matters, such as requiring that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans, which is not required under the Cayman Islands law. We intend to follow the home country practice in determining whether shareholder approval is required.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Qudian Inc, its subsidiaries and its variable interest entities are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Second Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.3 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
2.1	Form of American Depositary Receipt evidencing American Depositary Shares (incorporated herein by reference to Exhibit (a) to the registration statement on Form F-6 (File No. 333-220779) filed with the Securities and Exchange Commission on October 3, 2017 with respect to American depositary shares representing our Class A ordinary shares)
2.2	Specimen of Ordinary Share Certificate (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
2.3	Form of Deposit Agreement between the Registrant and Deutsche Bank Trust Company Americas, as depositary (incorporated herein by reference to Exhibit (a) to the registration statement on Form F-6 (File No. 333-220779) filed with the Securities and Exchange Commission on October 3, 2017 with respect to American depositary shares representing our Class A ordinary shares)
2.4*	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
4.1	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.2	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.3	Qudian Inc. 2016 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.4	Amendment No. 1 to Qudian Inc. 2016 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)

4.5	Amendment No. 2 to Qudian Inc. 2016 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.6	English Translation of Equity Interest Pledge Agreement concerning Beijing Happy Time, among Ganzhou Qufenqi, Mr. Min Luo, Tianjin Happy Share, Shanghai Yunxin Venture Capital Co., Ltd., Phoenix Auspicious Internet Investment L.P., Tianjin Blue Run Xinhe Investment Center L.P., Jiaxing Blue Run Quchuan Investment L.P., Ningbo Yuanfeng Venture Capital L.P., Shenzhen Guosheng Qianhai Investment Co., Ltd., Beijing Kunlun Tech Co., Ltd. and Beijing Happy Time, dated December 9, 2016 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.7	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Tianjin Happy Share, dated December 9, 2016 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.8	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Shanghai Yunxin Venture Capital Co., Ltd., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.9	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Phoenix Auspicious Internet Investment L.P., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.10	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Tianjin Blue Run Xinhe Investment Center L.P., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.11	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Jiaxing Blue Run Quchuan Investment L.P., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.12	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Ningbo Yuanfeng Venture Capital L.P., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.13	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Shenzhen Guosheng Qianhai Investment Co., Ltd., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.14	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Beijing Kunlun Tech Co., Ltd., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)

4.15	English translation of Power of Attorney Agreement concerning Beijing Happy Time, between Ganzhou Qufenqi and Mr. Min Luo, dated December 9, 2016 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.16	English translation of Exclusive Business Cooperation Agreement among Ganzhou Qufenqi, Beijing Happy Time, Ganzhou Network, Ganzhou Happy Fenqi and Fuzhou Happy Time Technology Co., Ltd., dated December 9, 2016 (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.17	English translation of Exclusive Call Option Agreement concerning Beijing Happy Time, among Ganzhou Qufenqi, Mr. Min Luo, Tianjin Happy Share, Shanghai Yunxin Venture Capital Co., Ltd., Phoenix Auspicious Internet Investment L.P., Tianjin Blue Run Xinhe Investment Center L.P., Jiaxing Blue Run Quchuan Investment L.P., Ningbo Yuanfeng Venture Capital L.P., Shenzhen Guosheng Qianhai Investment Co., Ltd., Beijing Kunlun Tech Co., Ltd. and Beijing Happy Time, dated December 9, 2016 (incorporated herein by reference to Exhibit 10.17 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.18	Financial Support Undertaking Letter issued by the Registrant to Beijing Happy Time, dated February 15, 2017 (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.19	English translation of Equity Interest Pledge Agreement concerning Ganzhou Qudian, among Ganzhou Qufenqi, Mr. Min Luo, Mr. Lianzhu Lv and Ganzhou Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.20	English translation of Power of Attorney Agreement concerning Ganzhou Qudian, between Mr. Min Luo and Ganzhou Qufenqi, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.21	English translation of Power of Attorney Agreement concerning Ganzhou Qudian, between Mr. Lianzhu Lv and Ganzhou Qufenqi, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.22	English translation of Exclusive Business Cooperation Agreement between Ganzhou Qufenqi and Ganzhou Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.23	English translation of Exclusive Call Option Agreement concerning Ganzhou Qudian, among Ganzhou Qufenqi, Mr. Min Luo, Mr. Lianzhu Lv and Ganzhou Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.24	Financial Support Undertaking Letter issued by the Registrant to Ganzhou Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)

4.25	English translation of Equity Interest Pledge Agreement concerning Hunan Qudian, among Ganzhou Qufenqi, Mr. Min Luo, Mr. Hongjia He and Hunan Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.26	English translation of Power of Attorney Agreement concerning Hunan Qudian, between Mr. Min Luo and Ganzhou Qufenqi, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.26 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.27	English translation of Power of Attorney Agreement concerning Hunan Qudian, between Mr. Hongjia He and Ganzhou Qufenqi, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.27 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.28	English translation of Exclusive Business Cooperation Agreement between Ganzhou Qufenqi and Hunan Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.28 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.29	English translation of Exclusive Call Option Agreement concerning Hunan Qudian, among Ganzhou Qufenqi, Mr. Min Luo, Mr. Hongjia He and Hunan Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.29 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.30	Financial Support Undertaking Letter issued by the Registrant to Hunan Qudian, dated May 1, 2017 (incorporated herein by reference to Exhibit 10.30 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.31	Trust Deed Constituting Qudian Inc. Equity Incentive Trust, dated December 30, 2016, between Qudian Inc. and Ark Trust (Hong Kong) Limited (incorporated herein by reference to Exhibit 10.37 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.32	English translation of Equity Interest Pledge Agreement concerning Xiamen Qudian, among Ganzhou Qufenqi, Mr. Min Luo and Xiamen Qudian, dated June 20, 2017 (incorporated herein by reference to Exhibit 10.38 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.33	English translation of Power of Attorney Agreement concerning Xiamen Qudian, between Ganzhou Qufenqi and Mr. Min Luo, dated June 20, 2017 (incorporated herein by reference to Exhibit 10.39 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.34	English translation of Exclusive Business Cooperation Agreement between Ganzhou Qufenqi and Xiamen Qudian, dated June 20, 2017 (incorporated herein by reference to Exhibit 10.40 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.35	English translation of Exclusive Call Option Agreement concerning Xiamen Qudian, among Ganzhou Qufenqi, Mr. Min Luo and Xiamen Qudian, dated June 20, 2017 (incorporated herein by reference to Exhibit 10.41 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)

4.36	Financial Support Undertaking Letter issued by the Registrant to Xiamen Qudian, dated June 20, 2017 (incorporated herein by reference to Exhibit 10.42 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
4.37*	English translation of Equity Interest Pledge Agreement concerning Xiamen Qu Plus Plus, among Xiamen Youxiang, Mr. Min Luo, Mr. Long Xu and Xiamen Qu Plus Plus, dated July 1, 2019.
4.38*	English translation of Power of Attorney Agreement concerning Xiamen Qu Plus Plus, between Mr. Min Luo and Xiamen Youxiang, dated July 1, 2019
4.39*	English translation of Power of Attorney Agreement concerning Xiamen Qu Plus Plus, between Mr. Long Xu and Xiamen Youxiang, dated July 1, 2019
4.40*	English translation of Exclusive Business Cooperation Agreement between Xiamen Youxiang and Xiamen Qu Plus Plus, dated July 1, 2019
4.41*	English translation of Exclusive Call Option Agreement concerning Xiamen Qu Plus Plus, among Xiamen Youxiang, Mr. Min Luo, Mr. Long Xu and Xiamen Qu Plus Plus, dated July 1, 2019
4.42*	Financial Support Undertaking Letter issued by the Registrant to Xiamen Qu Plus Plus, dated July 1, 2019
4.43*	Indenture, dated July 1, 2019, between the Registrant and Deutsche Bank Trust Company Americas, as Trustee, relating to the issuance of Registrant's 1.00% Convertible Senior Notes due 2026
8.1*	List of Subsidiaries
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-220511), as amended, initially filed with the Securities and Exchange Commission on September 18, 2017)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Tian Yuan Law Firm
15.2*	Consent of Independent Registered Public Accounting Firm
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith
** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

QUDIAN INC.

By: /s/ Min Luo
Name: Min Luo
Title: Chairman and Chief Executive Officer

Date: April 27, 2020

QUDIAN INC.
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Qudian Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Qudian Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 27, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases in 2019 and changed its method for recognizing revenue in 2018 and 2019.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for loan principal and financing service fee receivables

Description of the Matter	At December 31, 2019, the Company's loan principal and finance service fee receivables and related allowance was RMB 9,424 million and RMB 1,529 million, respectively. As explained in Note 2 to the consolidated financial statements, the Company considers the loans to be homogeneous unsecured consumer loans of similar principal amounts. The allowance is calculated based on the Company's historical loss experience with the entire loan portfolio, using a roll rate-based model and adjusted for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations. Auditing management's allowance for loan principal and financing service fee receivables was complex due to the highly judgmental nature of the qualitative factors used to adjust the allowance calculated using the roll-rate based model. Quantifying the impact of the selected qualitative factors on the allowance was also complex and highly judgmental. These qualitative factors require management to make significant judgments which could significantly affect the amount of the allowance for loan principal and financing service fee receivables.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's allowance for loan principal and financing service fee receivables. For example, we tested controls over management's review of the allowance calculations, the significant assumptions and data inputs. To test the Company's allowance, we performed audit procedures that included, among others, evaluating the methodology used, management's selection of qualitative factors and their impact on the allowance, including the underlying data used in the calculation. We assessed whether the selected qualitative factors were consistent with publicly available market information. We assessed the reasonableness of the loss rate used to calculate the Company's allowance at December 31, 2019 by comparing management's estimate to subsequent results. We also tested the completeness and accuracy of the underlying data used by the Company in the roll-rate based model and recalculated the allowance for loan principal financing service fee receivables.

Estimation of variable consideration for loan facilitation income, transaction services fees and other related income

Description of the Matter	For the year ended December 31, 2019, the Company recognized RMB 4,497 million revenue related to loan facilitation income, transaction services fees and other related income. As explained in Note 2 to the consolidated financial statements, the transaction price of loan facilitation income, transaction services fees and other related income includes variable consideration which is contingent on the borrower making timely repayments. The amount of variable consideration is limited to the amount that is probable not to be reversed in future periods. Management estimated the variable consideration using the expected value method, based on historical defaults, current and forecasted borrower repayment trends and assessed whether variable consideration should be constrained. Auditing management's estimation of variable consideration for loan facilitation income, transaction services fees and other related income was complex due to the highly judgmental nature of the qualitative factors used in the expected value method and quantifying the impact of the selected qualitative factors on the variable consideration. The estimation of variable consideration is also affected by future market and economic conditions. These factors combined have a significant effect on the amount of the estimated variable consideration for loan facilitation income, transaction services fees and other related income .
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's estimation of variable consideration of loan facilitation income, transaction services fees and other related income. For example, we tested controls over management's review of the variable consideration calculations, the significant assumptions and data inputs. To test the Company's estimation of variable consideration for loan facilitation income, transaction services fees and other related income, we performed audit procedures that included, among others, evaluating the methodology used, management's selection of the qualitative factors and their impact on the amount of variable consideration included in the transaction price, including the underlying data used. We assessed whether the qualitative factors are consistent with publicly available market information. We performed a hindsight analysis to assess whether there was any significant reversal in the cumulative revenue that was recognized during the reporting period. We also tested the completeness and accuracy of the underlying data used by the Company to estimate the variable consideration and recalculated the amount required to be constrained.

Estimation of risk assurance liabilities

Description of the Matter	At December 31, 2019, the Company's risk assurance liabilities totaled RMB 1,254 million. As explained in Note 2 to the consolidated financial statements, the Company provides risk assurance liabilities on the principal and accrued interest repayment of loans facilitated through the Company's platform. The contingent loss arising from the obligation to make future payments is recognized when borrower default is probable and the amount of loss is estimable. The contingent loss is calculated based on the expected future payouts, adjusted for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations. Auditing management's estimation of risk assurance liabilities was complex due to the highly judgmental nature of the qualitative factors used in the measurement process and quantifying the impact of the selected qualitative factors on the risk assurance liabilities. These qualitative factors require management to make significant judg ments which could significantly affect the amount of the estimation of risk assurance liabilities.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's estimation of risk assurance liabilities. For example, we tested controls over management's review of the risk assurance liabilities calculations, the significant assumptions and data inputs. To test the Company's estimation of risk assurance liabilities, we performed audit procedures that included, among others, evaluating the methodology used, management's selection of the qualitative factors and their impact on the estimate. We assessed whether the selected qualitative factors are consistent with publicly available market information. We performed a hindsight analysis to assess whether there were significant differences between the estimated contingent loss amount of risk assurance liabilities and the historical payouts. We also tested the completeness and accuracy of the underlying data used by the Company to develop its estimate and recalculated the recorded amount.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2016.

Shanghai, The People's Republic of China
April 27, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Qudian Inc.

Opinion on Internal Control over Financial Reporting

We have audited Qudian Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Qudian Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated April 27, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young Hua Ming LLP

Shanghai, The People's Republic of China
April 27, 2020

QUDIAN INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	As of December 31, 2018 RMB	As of December 31, 2019 RMB	As of December 31, 2019 US$
ASSETS:				
Current assets: (including amounts from the consolidated trusts of RMB 3,275,586,672, and RMB 4,026,001,945 (US$ 578,298,995) as of December 31, 2018 and 2019, respectively)				
Cash and cash equivalents		2,501,188,374	2,860,938,368	410,948,084
Restricted cash	3	339,826,542	1,257,648,990	180,649,974
Time deposits		—	231,131,760	33,200,000
Short-term loan principal and financing service fee receivables (net of allowance of RMB 569,834,399 and RMB 1,528,818,175 (US$ 219,600,990) as of December 31, 2018 and 2019, respectively)	4	8,417,821,413	7,894,697,458	1,134,002,336
Short-term finance lease receivables (net of allowance of RMB 10,135,319 and RMB 24,749,828 (US$ 3,555,090) as of December 31, 2018 and 2019, respectively; including unearned revenue of RMB 31,533,522 and RMB 21,691,725 (US$ 3,115,821) as of December 31, 2018 and 2019, respectively)	5	508,646,618	398,255,871	57,205,877
Short-term contract assets		903,436,469	2,741,914,258	393,851,340
Short-term amounts due from related parties	19	2,071	—	—
Other current assets (net of allowance of RMB 15,121,668 and RMB 27,259,988 (US$ 3,915,652) as of December 31, 2018 and 2019, respectively)	6	1,818,222,205	1,638,904,061	235,413,836
Total current assets		**14,489,143,692**	**17,023,490,766**	**2,445,271,447**

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

QUDIAN INC.

CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	As of December 31, 2018 RMB	As of December 31, 2019 RMB	As of December 31, 2019 US$
Non-current assets: (including amounts from the consolidated trusts of RMB 51,541,094 and RMB 423,585 (US$ 60,844) as of December 31, 2018 and 2019, respectively)				
Long-term loan principal and financing service fee receivables (net of allowance of RMB 15,500,802 and RMB 34,726 (US$ 4,988) as of December 31, 2018 and 2019, respectively)	4	665,652,830	423,585	60,844
Long-term finance lease receivables (net of allowance of RMB 18,630,094 and RMB 15,183,208 (US$ 2,180,931) as of December 31, 2018 and 2019, respectively; including unearned revenue of RMB 163,062,580 and RMB 50,355,135 (US$ 7,233,063) as of December 31, 2018 and 2019, respectively)	5	649,242,797	239,696,597	34,430,262
Operating lease right-of-use assets		—	148,851,099	21,381,123
Investment in equity method investee	8	33,199,265	44,779,440	6,432,164
Long-term investments	9	—	223,157,973	32,054,637
Property and equipment, net		26,224,170	92,820,570	13,332,841
Intangible assets, net		7,263,548	6,803,258	977,227
Land use right		106,545,362	—	—
Long-term contract assets		15,596,885	273,596,933	39,299,740
Deferred tax assets, net	16	243,412,814	290,284,829	41,696,807
Other non-current assets		17,093,439	17,698,520	2,542,233
Total non-current assets		**1,764,231,110**	**1,338,112,804**	**192,207,878**
TOTAL ASSETS		**16,253,374,802**	**18,361,603,570**	**2,637,479,325**

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

QUDIAN INC.

CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	As of December 31,		
		2018	2019	
		RMB	RMB	US$
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities: (including amounts of the consolidated VIEs without recourse to the Company of RMB 5,045,698,262 and RMB 4,749,757,109 (US$ 682,259,920) as of December 31, 2018 and 2019, respectively)				
Short-term borrowings and interest payables	10	3,860,440,575	1,049,570,333	150,761,345
Short-term lease liabilities	7	—	21,918,649	3,148,417
Accrued expenses and other current liabilities	11	507,486,437	718,265,702	103,172,412
Guarantee liabilities and risk assurance liabilities (including amounts of guarantee liabilities of RMB 302,604,578 and RMB 263,465,921 (US$ 37,844,512), risk assurance liabilities of RMB nil and RMB 1,254,361,399 (US$ 180,177,741) as of December 31, 2018 and 2019, respectively)	12	302,604,578	1,517,827,320	218,022,253
Income tax payable		348,829,956	589,739,224	84,710,739
Total current liabilities		**5,019,361,546**	**3,897,321,228**	**559,815,166**

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

QUDIAN INC.

CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	As of December 31,		
		2018	2019	
		RMB	RMB	US$
Non-current liabilities: (including amounts of the consolidated VIEs without recourse to the Company of RMB 413,400,000 and RMB 109,076,000 (US$ 15,667,787) as of December 31, 2018 and 2019, respectively)				
Long-term borrowings and interest payables	10	413,400,000	—	—
Convertible senior notes	13	—	2,339,551,570	336,055,556
Deferred tax liabilities, net	16	—	178,984,764	25,709,553
Long-term lease liabilities	7	—	21,694,379	3,116,203
Total non-current liabilities		**413,400,000**	**2,540,230,713**	**364,881,312**
Total liabilities		**5,432,761,546**	**6,437,551,941**	**924,696,478**

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

QUDIAN INC.

CONSOLIDATED BALANCE SHEETS - continued

AS OF DECEMBER 31, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	As of December 31,		
		2018	2019	
		RMB	RMB	US$
Commitments and contingencies	21			
Shareholders' equity:				
Class A Ordinary shares (US$0.0001 par value; 656,508,828 shares authorized, 243,425,092 shares issued and 232,952,916 shares outstanding, as of December 31, 2018; 656,508,828 shares authorized, 200,711,030 shares issued and 190,238,854 shares outstanding, as of December 31, 2019)	22	161,442	131,638	18,908
Class B Ordinary shares (US$0.0001 par value; 63,491,172 shares authorized, 63,491,172 shares issued and outstanding, as of December 31, 2018 and 2019)	22	43,836	43,836	6,297
Treasury shares	23	(362,130,324)	(362,130,324)	(52,016,766)
Additional paid-in capital		6,160,445,929	3,967,733,108	569,929,200
Accumulated other comprehensive loss		(44,858,239)	(12,965,166)	(1,862,330)
Retained earnings		5,066,950,612	8,331,238,537	1,196,707,538
Total shareholders' equity		**10,820,613,256**	**11,924,051,629**	**1,712,782,847**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,253,374,802**	**18,361,603,570**	**2,637,479,325**

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

QUDIAN INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	For the years ended December 31,			
		2017	2018	2019	
		RMB	RMB	RMB	US$
Revenues:					
Financing income (including related party amounts of RMB 4,551, RMB nil and RMB nil (US$ nil) for the years ended December 31, 2017, 2018 and 2019, respectively)		3,642,183,767	3,535,275,780	3,510,054,957	504,187,849
Sales commission fee		797,167,074	307,492,444	356,811,512	51,252,767
Sales income		26,083,472	2,174,788,821	431,945,882	62,045,144
Penalty fee		7,922,387	28,012,630	44,354,000	6,371,053
Loan facilitation income and other related income		302,009,352	1,646,772,629	2,297,413,315	330,002,774
Transaction services fee and other related income		—	—	2,199,463,876	315,933,218
Total revenues		**4,775,366,052**	**7,692,342,304**	**8,840,043,542**	**1,269,792,805**
Cost of revenues:					
Cost of goods sold		(23,895,186)	(2,003,642,524)	(366,014,556)	(52,574,701)
Cost of other revenues (including related party amounts of RMB 221,009,227, RMB 147,610,831 and RMB nil (US$ nil) for the years ended December 31, 2017, 2018 and 2019, respectively)	14	(856,950,671)	(731,785,772)	(535,772,612)	(76,958,920)
Total cost of revenues		**(880,845,857)**	**(2,735,428,296)**	**(901,787,168)**	**(129,533,621)**
Operating expenses:					
Sales and marketing (including related party amounts of RMB 238,114,969, RMB 32,542,281 and RMB nil (US$ nil) for the years ended December 31, 2017, 2018 and 2019, respectively)		(431,749,549)	(540,550,282)	(280,615,518)	(40,307,897)
General and administrative		(183,673,832)	(255,867,298)	(286,059,239)	(41,089,839)
Research and development		(153,257,564)	(199,560,164)	(204,780,905)	(29,414,937)
Changes in guarantee liabilities and risk assurance liabilities (including changes in guarantee liabilities amounts of RMB 150,152,083, RMB 116,592,666 and RMB 939,954,125 (US$ 135,015,962), change in risk assurance liabilities amounts of RMB nil, RMB nil and RMB 203,473,526 (US$ 29,227,143) for the year ended December 31, 2017, 2018 and 2019, respectively)		(150,152,083)	(116,592,666)	(1,143,427,651)	(164,243,105)
Provision for receivables and other assets		(605,163,716)	(1,178,723,206)	(2,283,126,141)	(327,950,550)
Total operating expenses		**(1,523,996,744)**	**(2,291,293,616)**	**(4,198,009,454)**	**(603,006,328)**
Other operating income		50,702,352	23,747,754	108,508,163	15,586,222
Income from operations		**2,421,225,803**	**2,689,368,146**	**3,848,755,083**	**552,839,078**
Interest and investment income, net	15	4,210,903	35,740,334	20,871,782	2,998,043
Foreign exchange gain/(loss), net		(7,176,838)	(90,771,459)	6,635,208	953,088
Other income		2,107,933	15,231,215	24,583,469	3,531,194
Other expenses		(362,978)	(521,505)	(10,323,771)	(1,482,917)
Net income before income taxes		**2,420,004,823**	**2,649,046,731**	**3,890,521,771**	**558,838,486**
Income tax expenses	16	(255,546,003)	(157,730,518)	(626,233,846)	(89,952,864)
Net income		**2,164,458,820**	**2,491,316,213**	**3,264,287,925**	**468,885,622**

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

QUDIAN INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Notes	For the years ended December 31,			
		2017	2018	2019	
		RMB	RMB	RMB	US$
Net income attributable to Qudian Inc.'s shareholders		**2,164,458,820**	**2,491,316,213**	**3,264,287,925**	**468,885,622**
Earnings per share for Class A and Class B ordinary shares:					
Basic	17	17.13	7.82	11.72	1.68
Diluted	17	7.09	7.74	10.94	1.57
Earnings per ADS (1 Class A ordinary share equals 1 ADSs):					
Basic	17	17.13	7.82	11.72	1.68
Diluted	17	7.09	7.74	10.94	1.57
Weighted average number of Class A and Class B ordinary shares outstanding:					
Basic	17	126,390,196	318,685,836	278,531,382	278,531,382
Diluted	17	305,221,444	321,955,142	300,457,711	300,457,711
Other comprehensive income/(loss)					
Foreign currency translation adjustment		(77,947,461)	33,089,222	31,893,073	4,581,153
Total comprehensive income		**2,086,511,359**	**2,524,405,435**	**3,296,180,998**	**473,466,775**
Total comprehensive income attributable to Qudian Inc.'s shareholders		**2,086,511,359**	**2,524,405,435**	**3,296,180,998**	**473,466,775**

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

QUDIAN INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	Class A and B Ordinary shares		Treasury shares	Additional paid-in capital	Accumulated other comprehensive loss/foreign currency translation adjustment	Retained earnings/ (accumulated deficit)	Total shareholders' equity
	Number of Shares Outstanding	Amount					
		RMB	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2016	79,305,191	54,754	—	80,458,209	—	(3,510,901,749)	(3,430,388,786)
Issuance of ordinary shares – Initial Public Offering ("IPO")	35,625,000	23,601	—	5,297,362,243	—	—	5,297,385,844
Canceled Shares	(15,814,019)	(10,895)	—	—	—	—	(10,895)
Conversion of convertible preferred shares to ordinary shares	222,460,486	147,380	—	2,129,833,063	—	3,813,997,787	5,943,978,230
Repurchase of ordinary shares	(4,537,115)	—	(421,164,802)	—	—	—	(421,164,802)
Vesting of share options held by Share Based Payment Trust	8,798,912	6,136	—	(6,136)	—	—	—
Share-based compensation (Note 20)	—	—	—	64,055,851	—	—	64,055,851
Other comprehensive loss	—	—	—	—	(77,947,461)	—	(77,947,461)
Net income	—	—	—	—	—	2,164,458,820	2,164,458,820
Balance at December 31, 2017	325,838,455	220,976	(421,164,802)	7,571,703,230	(77,947,461)	2,467,554,858	9,540,366,801
Adjustments due to the adoption of Topic 606	—	—	—	—	—	108,079,541	108,079,541
Repurchase of ordinary shares	(33,237,759)	—	(1,410,222,466)	—	—	—	(1,410,222,466)
Canceled shares	—	(18,088)	1,469,256,944	(1,469,238,856)	—	—	—
Vesting of share options held by Share Based Payment Trust	3,466,307	2,141	—	(2,141)	—	—	—
Exercise of share options	377,085	249	—	2,209	—	—	2,458
Share-based compensation (Note 20)	—	—	—	57,981,487	—	—	57,981,487
Other comprehensive income	—	—	—	—	33,089,222	—	33,089,222
Net income	—	—	—	—	—	2,491,316,213	2,491,316,213
Balance at December 31, 2018	296,444,088	205,278	(362,130,324)	6,160,445,929	(44,858,239)	5,066,950,612	10,820,613,256
Repurchase of ordinary shares	(44,343,126)	—	(2,087,241,398)	—	—	—	(2,087,241,398)
Canceled shares	—	(30,918)	2,087,241,398	(2,087,210,480)	—	—	—
Vesting of share options held by Share Based Payment Trust	1,037,500	702	—	(702)	—	—	—
Exercise of share options	591,564	412	—	3,910	—	—	4,322
Share-based compensation (Note 20)	—	—	—	87,299,053	—	—	87,299,053
Purchase of capped call option	—	—	—	(192,804,602)	—	—	(192,804,602)
Other comprehensive income	—	—	—	—	31,893,073	—	31,893,073
Net income	—	—	—	—	—	3,264,287,925	3,264,287,925
Balance at December 31, 2019	253,730,026	175,474	(362,130,324)	3,967,733,108	(12,965,166)	8,331,238,537	11,924,051,629

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

QUDIAN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Cash flows from operating activities:				
Net income	2,164,458,820	2,491,316,213	3,264,287,925	468,885,622
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for receivables and other assets	605,163,716	1,178,723,206	2,283,126,141	327,950,550
Depreciation and amortization	5,790,986	12,065,648	22,125,949	3,178,194
Amortization of lease right-of-use assets	—	—	24,077,418	3,458,505
Loss on disposal of property and equipment	—	137,268	278,718	40,035
Accrued interest of convertible senior notes	—	—	23,934,289	3,437,946
Amortization of deferred origination costs	100,598	—	—	—
Share-based compensation expense	64,055,851	57,981,487	87,299,053	12,539,724
Share of loss from equity method investment	20,676,273	11,319,279	3,419,825	491,227
Investment income of short-term investments	—	(10,117,286)	(3,584,153)	(514,831)
Foreign exchange (gain)/loss, net	7,176,838	90,771,459	(6,635,208)	(953,088)
Changes in operating assets and liabilities:				
Financing service fee receivables	(78,970,874)	112,068,030	3,873,447	556,386
Finance lease receivables	—	—	330,214,661	47,432,368
Contract assets	—	(799,992,914)	(2,096,477,837)	(301,140,199)
Receivables from related parties	629,329	372,812	2,071	297
Deferred tax assets and liabilities	(97,672,912)	(127,952,203)	132,112,749	18,976,809
Other current and non-current assets	(308,848,775)	(137,098,248)	(119,570,060)	(17,175,165)
Interest payables	121,442,961	(62,457,896)	(73,479,202)	(10,554,627)
Payables to related parties	(16,496,440)	(3,108,873)	—	—
Guarantee liabilities	165,571,647	255,623,253	(39,138,657)	(5,621,916)
Risk assurance liabilities	—	—	1,254,361,399	180,177,741
Operating lease liabilities	—	—	(26,518,640)	(3,809,164)
Other current and non-current liabilities	144,730,768	262,667,592	439,679,436	63,155,998
Net cash provided by operating activities	**2,797,808,786**	**3,332,318,827**	**5,503,389,324**	**790,512,412**
Cash flows from investing activities:				
Proceeds from redemption of short-term investments	1,285,350,000	1,662,675,701	457,817,239	65,761,331
Proceeds from collection of loan principal	73,958,650,963	35,184,841,574	22,140,852,309	3,180,334,441
Principal collection of finance lease receivables	70,773	222,069,392	—	—
Proceeds from collection of loan principal due from related parties	272,318	1,000,000	—	—
Proceeds from disposal of long-term assets	—	—	530,975	76,270
Purchases of short-term investments	(1,155,150,000)	(1,352,558,415)	(454,233,086)	(65,246,500)
Purchases of property and equipment, intangible assets and land use right	(11,298,011)	(140,387,756)	(76,389,281)	(10,972,634)
Purchases of long-term investments	—	—	(222,709,723)	(31,990,250)
Purchases of equity method investment	—	—	(15,000,000)	(2,154,615)
Payments to originate loan principal	(78,473,735,690)	(37,036,365,868)	(22,760,427,250)	(3,269,330,812)
Purchase of current assets held for lease	(26,479,085)	(1,332,008,977)	—	—
Net cash used in investing activities	**(4,422,318,732)**	**(2,790,734,349)**	**(929,558,817)**	**(133,522,769)**

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

QUDIAN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares	5,339,532,767	—	—	—
Proceeds from borrowings	15,989,866,179	2,644,659,751	2,251,563,000	323,416,789
Proceeds from convertible senior notes, net of issuance cost	—	—	2,289,629,341	328,884,677
Proceeds from related parties	850,500,000	513,847,929	—	—
Refund of guarantee deposits from Funding Partners	286,707,459	396,555,231	—	—
Proceeds from exercise of share options	—	2,458	4,322	621
Payments to related parties	(17,812,790)	(2,231,923)	—	—
Repayment of borrowings	(11,825,431,453)	(8,025,871,949)	(5,402,354,040)	(775,999,604)
Repurchase of ordinary shares	(421,164,802)	(1,410,222,466)	(2,087,241,398)	(299,813,467)
Payments for IPO expenditure	(39,461,883)	(1,378,058)	—	—
Purchase of capped call option	—	—	(192,804,602)	(27,694,648)
Payments of deposits to funding	—	—	(231,131,760)	(33,200,000)
Payments of guarantee deposits to Funding Partners	(161,096,338)	(843,200,007)	—	—
Net cash (used in)/provided by financing Activities	**10,001,639,139**	**(6,727,839,034)**	**(3,372,335,137)**	**(484,405,632)**
Effect of exchange rate changes	(77,947,461)	(57,682,237)	76,077,072	10,927,788
Net increase/(decrease) in cash and cash equivalents, and restricted cash	8,299,181,732	(6,243,936,793)	1,277,572,442	183,511,799
Cash and cash equivalents, and restricted cash at beginning of the year	785,769,977	9,084,951,709	2,841,014,916	408,086,259
Cash and cash equivalents, and restricted cash at end of the year	**9,084,951,709**	**2,841,014,916**	**4,118,587,358**	**591,598,058**
Reconciliation of cash and cash equivalents, and restricted cash to the consolidated balance sheet				
Cash and cash equivalents	6,832,306,121	2,501,188,374	2,860,938,368	410,948,084
Restricted cash	2,252,645,588	339,826,542	1,257,648,990	180,649,974
Total cash and cash equivalents, and restricted cash	**9,084,951,709**	**2,841,014,916**	**4,118,587,358**	**591,598,058**
Supplemental disclosures of cash flow information:				
Income taxes paid, net of refunds	231,132,984	208,640,115	263,971,349	37,917,112
Interest expense paid	565,446,800	609,826,651	361,721,059	51,957,979

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

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

1. Organization

Qudian Inc. (the "Company", and where appropriate, the term "Company" also refers to its subsidiaries, variable interest entities and subsidiaries of the variable interest entities as a whole) is a limited company incorporated in the Cayman Islands under the laws of the Cayman Islands on November 16, 2016. The Company, through its subsidiaries, variable interest entities ("VIEs") and subsidiaries of the VIEs, are principally engaged in the operation of online platforms to provide small consumer credit products in the People's Republic of China (the "PRC"). The Company does not conduct any substantive operations of its own. As PRC law and regulations prohibit foreign control of companies involved in internet value-added business, the Company conducts its primary business operations through its VIEs and the subsidiaries of the VIEs.

As of December 31, 2019, the Company's main subsidiaries and VIEs are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Subsidiaries				
QD Data Limited ("Qudian HK")	December 2, 2016	Hong Kong ("HK")	100%	Investment holding
QD Technology Limited ("Qudian BVI")	November 23, 2016	British Virgin Islands ("BVI")	100%	Investment holding
Qufenqi (Ganzhou) Information Technology Co., Ltd. ("Qufenqi Ganzhou")	September 5, 2016	PRC	100%	Investment holding, research and development
Qudian Inc. Equity Incentive Trust ("Share Based Payment Trust")	December 30, 2016	HK	Nil	Employee benefits
Qufenqi (HK) Limited ("Qufenqi HK")	April 28, 2014	HK	100%	Investment holding
Xiamen Qudian Financial Lease Ltd. ("Xiamen Financial Lease")	April 21, 2017	PRC	100%	Financial lease
Tianjin Qudian Financial Lease Co., Ltd. ("Tianjin Financial Lease")	January 19, 2018	PRC	100%	Financial lease
Xiamen Happy Time Technology Co., Ltd. ("Xiamen Happy Time")	September 5, 2018	PRC	100%	Technology development and service
Qu Plus Plus Inc. ("Qu Plus Plus")	June 28, 2018	Cayman Islands	100%	Investment holding
Qu Plus Plus (HK) Limited ("Qu Plus Plus HK")	July 9, 2018	HK	100%	Investment holding
Qu Plus Plus Limited ("Qu Plus Plus BVI")	June 29, 2018	BVI	100%	Investment holding
Xiamen Youxiang Time Technology Service Co., Ltd. ("Xiamen Youxiang Time")	August 3, 2018	PRC	100%	Technology development and service, research and development
Xiamen Xincheng Youda Financing Guarantee Ltd. ("Xiamen Xincheng Youda")	March 7, 2019	PRC	100%	Financing guarantee service

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(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
VIEs				
Beijing Happy Time Technology Development Co., Ltd. ("Beijing Happy Time")	April 9, 2014	PRC	Nil	Technology development and service, sale of products
Ganzhou Qudian Technology Co., Ltd. ("Ganzhou Qudian")	November 25, 2016	PRC	Nil	Technology development and service, sale of products
Hunan Qudian Technology Development Co., Ltd. ("Hunan Qudian")	November 2, 2016	PRC	Nil	Technology development and service, sale of products
Xiamen Qudian Technology Co., Ltd. ("Xiamen Qudian")	April 1, 2017	PRC	Nil	Technology development and service, sale of products
Xiamen Weipujia Technology Co., Ltd. ("Xiamen Weipujia")	June 6, 2018	PRC	Nil	Household service
Xiamen Qu Plus Plus Technology Co., Ltd. ("Xiamen Qu Plus Plus")	June 5, 2019	PRC	Nil	Technology development and service, sale of products

Additionally, Beijing Happy Time, Ganzhou Qudian, Xiamen Qudian, Xiamen Weipujia and Xiamen Qu Plus Plus have several subsidiaries incorporated in the PRC.

On November 23, 2016, the Company set up a wholly-owned subsidiary, Qudian BVI in the BVI. On December 2, 2016, the Company set up another wholly-owned subsidiary, Qudian HK in Hong Kong. On December 5, 2016, the Company transferred all of its shares of Qudian HK to Qudian BVI. On December 9, 2016, Qudian HK acquired all the equity interests of Qufenqi Ganzhou from Qufenqi HK, for a consideration of US$100,000. From December 9, 2016 to November 22, 2018, Beijing Happy Time, Hunan Qudian, Ganzhou Qudian, Xiamen Qudian and Xiamen Weipujia signed a series of contractual agreements with Qufenqi Ganzhou and its shareholders (collectively, the "VIE Agreements").

On June 26, 2019, the Company acquired all the equity interests of Qu Plus Plus from VIP Plus Investment Holdings Limited, for a consideration of US$ nil. Qu Plus Plus, is a limited company incorporated in the Cayman Islands under the laws of the Cayman Island on June 28, 2018. On June 29, 2018, Qu Plus Plus set up its wholly-owned subsidiary, Qu Plus Plus BVI in the BVI. On July 9, 2018, Qu Plus Plus BVI set up its wholly-owned subsidiary, Qu Plus Plus HK. Qu Plus Plus HK set up its wholly-owned subsidiary Xiamen Youxiang Time on August 3, 2018. On July 1, 2019, Xiamen Qu Plus Plus signed a series of contractual agreements with Xiamen Youxiang Time and its shareholders (collectively, the "VIE Agreements").

The Company, through Qufenqi Ganzhou and Xiamen Youxiang Time (collectively the "WFOEs") entered into power of attorney and an exclusive call option agreement with the nominee shareholders of the VIEs that gave

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

1. Organization - continued

the WFOEs the power to direct the activities that most significantly affect the economic performance of the VIEs and acquire the equity interests in the VIEs when permitted by the PRC laws, respectively. Certain exclusive agreements have been entered into with the VIEs through the WFOEs, which obligate the WFOEs to absorb a majority of the risk of loss from the VIEs' activities and entitle the WFOEs to receive a majority of their residual returns. In addition, the Company has entered into share pledge agreements for the equity interests in the VIEs held by the nominee shareholders of the VIEs. The Company agreed to provide unlimited financial support to the VIEs for their operations. In addition, pursuant to the resolutions of all shareholders of the Company and the resolutions of the board of directors of the Company (the "Resolutions"), the board of directors of the Company (the "Board of Directors") or any officer authorized by the Board of Directors (the "Authorized Officer") shall cause the WFOEs to exercise the rights under the power of attorney entered into among the WFOEs, the VIEs and the nominee shareholders of the VIEs and the WFOEs' rights under the exclusive call option agreement between the WFOEs and the VIEs. As a result of the Resolutions and the provision of unlimited financial support from the Company to the VIEs, the Company has been determined to be most closely associated with the VIEs within the group of related parties and was considered to be the Primary Beneficiary.

Despite the lack of technical majority ownership, the Company has effective control of the VIEs through the VIE Agreements and a parent-subsidiary relationship exists between the Company and the VIEs. Through the VIE Agreements, the shareholders of the VIEs effectively assigned all of their voting rights underlying their equity interest in the VIEs 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, has the right to receive economic benefits from the VIEs that potentially could be significant to the VIEs. Lastly, through the financial support undertaking letter, the Company has the obligation to absorb losses of the VIEs that could potentially be significant to the VIEs. Therefore, the Company is considered the primary beneficiary of the VIEs and consolidates the VIEs 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 agreements signed between the VIEs' nominee shareholders and WFOEs, each nominee shareholder irrevocably appointed WFOEs as its attorney-in-fact to exercise on each shareholder's behalf any and all rights that each shareholder has in respect of its equity interest in the VIEs (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 the VIEs). The agreements are effective and irrevocable as long as the nominee shareholder remains a shareholder of the VIEs.

(2) Exclusive Call Option Agreements:

Pursuant to the exclusive call option agreements entered into between the VIEs' nominee shareholders and WFOEs, the nominee shareholders irrevocably granted WFOEs a call option to request the nominee shareholders

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1. Organization - continued

to transfer or sell any part or all of its equity interests in the VIEs, or any or all of the assets of the VIEs, to WFOEs, or their designees. The purchase price of the equity interests in the VIEs shall be equal to the minimum price required by PRC law. As for the assets of the VIEs, the purchase price should be equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher. Without WFOEs' prior written consent, the VIEs and their nominee shareholders shall not amend their articles of association, increase or decrease the registered capital, sell or otherwise dispose of their assets or beneficial interests, create or allow any encumbrance on their assets or other beneficial interests and provide any loans or guarantees, etc. The nominee shareholders cannot request any dividends or other form of assets. If dividends or other form of assets were distributed, the nominee shareholders shall transfer all received distribution to WFOEs or their designees. The agreements are not terminated until all of the equity interests of the VIEs have been transferred to WFOEs or the person(s) designated by WFOEs. None of the nominee shareholders have the right to terminate or revoke the agreements under any circumstance unless otherwise regulated by law.

(3) Exclusive Business Cooperation Agreements:

Pursuant to the exclusive business cooperation agreements entered into by WFOEs and the VIEs and their subsidiaries, WFOEs provides exclusive technical support and consulting services in return for fees based on 100% of the VIEs' profit before tax, which is adjustable at the sole discretion of WFOEs. Without WFOEs' consent, the VIEs and their subsidiaries cannot procure services from any third party or enter into similar service arrangements with any other third party, except for those from WFOEs. In addition, the profitable consolidated VIEs and their subsidiaries have granted WFOEs an exclusive right to purchase any or all of the business or assets of each of the profitable consolidated VIEs and their subsidiaries at the lowest price permitted under PRC law. The agreements are irrevocable or can only be unilaterally revoked/amended by WFOEs.

(4) Equity Pledge Agreements:

Pursuant to the equity interest pledge agreements, each nominee shareholder of the VIEs has pledged all of its respective equity interests in the VIEs to WFOEs as continuing first priority security interest to guarantee the performance of their and the VIEs' obligations under the power of attorney agreements, the exclusive call option agreements and the exclusive business cooperation agreements. WFOEs is entitled to all dividends during the effective period of the share pledge except as it agrees otherwise in writing. If the VIEs or any of the nominee shareholder breaches its contractual obligations, WFOEs 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 the VIEs in accordance with PRC law. None of the nominee shareholders shall, without the prior written consent of WFOEs, 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 VIEs. The agreements are not terminated until all of the technical support and consulting and service fees have been fully paid under the exclusive business cooperation agreements and all of VIEs' obligations have been terminated under the other controlling agreements.

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1. Organization - continued

In addition, the Company entered into following agreements:

(1) Financial support undertaking letters

Pursuant to the financial support undertaking letters, the Company is obligated and hereby undertakes to provide unlimited financial support to the VIEs, to the extent permissible under the applicable PRC laws and regulations, whether or not any such operational loss is actually incurred. The Company will not request repayment of the loans or borrowings if the VIEs or their shareholders do not have sufficient funds or are unable to repay.

(2) Resolutions of all shareholders and resolution of the board of directors of Qudian Inc.

The shareholders and the Board of Directors resolved that the Board of Directors or any officer authorized by the Board of Directors shall cause WFOEs to exercise its rights under the power of attorney agreements and the exclusive call option agreements when the Board of Directors or the Authorized Officer determines that such exercise is in the best interests of the Company and WFOEs to do so.

In the opinion of the Company's legal counsel, (i) the ownership structure of the PRC subsidiaries and the VIEs, both currently does 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 letters issued by the Company to the VIEs, does not violate the PRC laws and regulations (iv) the resolutions are valid in accordance with the articles of association of the Company and Cayman Island 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 VIEs 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 VIEs.

In addition, if the current structure or any of the contractual arrangements were 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 financial services 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.

Except for the deposits that were held by banks and other institutions, trust beneficiaries and other funding partners (collectively referred as the "Funding Partners") as guarantee deposits, all assets of the consolidated trusts, and the collateralization of the land use right as described in Note 10, there was no other pledge or collateralization of the VIEs' assets. Creditors of the VIEs have no recourse to the general credit of the Company,

1. Organization - continued

who is the primary beneficiary of the VIEs, through its 100% controlled subsidiary Qufenqi Ganzhou and Xiamen Youxiang Time. The Company has not provided any financial or other support that it was not previously contractually required to provide to the VIEs during the periods presented. The table sets forth the assets and liabilities of the VIEs included in the Company's consolidated balance sheets:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Short-term loan principal and financing service fee receivables	8,417,821,413	7,788,585,617	1,118,760,324
Other current assets	3,472,629,937	7,095,745,062	1,019,240,004
Total current assets	**11,890,451,350**	**14,884,330,679**	**2,138,000,328**
Total non-current assets	1,066,321,556	967,471,254	138,968,550
Total assets	**12,956,772,906**	**15,851,801,933**	**2,276,968,878**
Total current liabilities	5,045,698,262	4,749,757,109	682,259,920
Total non-current liabilities	413,400,000	109,076,000	15,667,787
Total liabilities	**5,459,098,262**	**4,858,833,109**	**697,927,707**

The following table sets forth the results of operations of the VIEs included in the Company's consolidated statements of comprehensive income:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Revenues	4,749,249,922	5,112,097,579	8,049,577,016	1,156,249,391
Net income	2,222,086,399	2,558,375,744	3,440,929,911	494,258,656

The table sets forth the cash flows of the VIEs included in the Company's consolidated statements of cash flows:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Net cash provided by operating activities	2,587,050,255	3,375,764,483	4,362,960,828	626,700,110
Net cash used in investing activities	(4,295,677,821)	(1,789,268,184)	(842,120,427)	(120,963,031)
Net cash (used in)/provided by financing activities	5,251,615,220	(4,568,154,072)	(2,855,955,341)	(410,232,316)

The amount of the net assets of the VIEs were RMB 7,497 million and RMB 10,993 million (US$ 1,579 million) as of December 31, 2018 and 2019. The creditors of the VIEs' third-party liabilities did not have recourse to the general credit of the Primary Beneficiary in the normal course of business.

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1. Organization - continued

Consolidated Trusts

The Company established several trusts to invest in loans through the Company's platform using both funds from third party and the Company. Such trusts are administered by third party trust companies as the trustees. The Company provides loan facilitation service and financial guarantee to the trusts.

All assets of the consolidated trusts are collateral for the trusts' obligations and can only be used to settle the trusts' obligations.

Share Based Payment Trust

On December 30, 2016, the board of the Company approved and set up Qudian Inc. Equity Incentive Trust (the "Share Based Payment Trust") for the purpose of holding options awarded to certain employees and the underlying shares before they are exercised as instructed by the employees. Upon the exercise of the options, the shares will be transferred to the relevant employees. As the Company has the power to govern the financial and operating policies of the Share Based Payment Trust and derives benefits from the contributions of the employees who have been awarded the options of the Company through their continued employment with the Company, the assets and liabilities of the Share Based Payment Trust are included in the consolidated balance sheets.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and the subsidiaries of the VIEs. All inter-company transactions and balances have been eliminated.

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, allowance for loan principal and financing service fee receivables, allowance for finance lease receivables, allowance for contract assets, allowance for other assets, incremental borrowing rates for lease liabilities, share-based compensation, valuation allowance for deferred tax assets, uncertain tax positions, estimate of variable considerations of revenue recognition, estimate of risk assurance liabilities, fair value of guarantee liabilities and fair value of investments. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies - continued

Revenue recognition

The Company generates revenues primarily by providing borrowers with merchandise and cash installment credit services, credit facilitation services, transaction services and automobile financing services.

On January 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue recognition*. Under ASC 606, revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those goods or services, net of value-added tax. The Company determines revenue recognition through the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Credit facilitation

The Company entered into credit facilitation arrangements with various Funding Partners. The Company: (i) matches borrowers with the Funding Partners which directly fund the credit drawdowns to the borrowers and (ii) provides post-origination services, such as short messaging reminder services throughout the term of the loans. For each successful match, the Company receives a recurring service fee throughout the term of the loans. When borrowers make instalment repayments directly to the Funding Partners, the Funding Partners will then remit the recurring service fees to the Company on a periodic basis. In addition, the Company provides a guarantee on the principal and accrued interest repayments of the defaulted loans to the Funding Partners.

The Company considers the loan facilitation service, post-origination services and guarantee service as separate services, of which the guarantee service and the post origination service is accounted for in accordance with ASC 815, *Derivatives and Hedging, ("ASC 815"), ASC 460, Guarantees, ("ASC 460")* (refer to "Guarantee liabilities" and "Risk Assurance Liabilities" for additional information) and ASC 860, *Transfers and servicing of financial assets*, respectively ("ASC 860").

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, net of value-added tax. The transaction price allocated to loan facilitation income and post-origination services includes variable consideration which is contingent on the borrower making timely repayments. The amount of variable consideration is limited to the amount that is probable not to be reversed in future periods. Management estimated the variable consideration using the expected value method, based on historical defaults, current and forecasted borrower repayment trends and

2. Summary of Significant Accounting Policies - continued

Revenue recognition** - **continued

assessed whether variable consideration should be constrained. Any subsequent changes in the transaction price will be allocated to the performance obligations on the same basis as at contract inception.

The Company first allocates the transaction price to the guarantee liabilities or risk assurance liabilities. The remaining transaction price is then allocated to the loan facilitation services and post-origination services on a relative standalone selling price basis. The Company does not have observable price for the loan facilitation services and post-origination services because the services are not provided separately. As a result, the estimation of standalone selling price involves significant judgement. The Company estimates the standalone selling price of the loan facilitation and post-origination services using the expected cost plus a margin approach.

Revenues from loan facilitation services are recognized when the Company matches borrowers with the Funding Partners and the funds are provided to the borrower. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Vehicle sales with guarantee

The Company sells vehicles to buyers and provides loan facilitation services to Funding Partners who provides financing to the vehicle buyers. The buyer obtains control of the vehicle when the buyer physically possesses the vehicle and when the Company receives cash consideration for the vehicle from the buyer. The Company will receive recurring service fees from the Funding Partners for its loan facilitation services and post-origination services throughout the term of the loan. In addition, the Company provides a guarantee on the principal and accrued interest repayments of the defaulted loans to the Funding Partners.

For vehicle sales, the Company determines the buyer to be its customer. The transaction price for the vehicle sale is the amount of consideration the Company receives from the buyer for the sale of the vehicle, net of value-added tax. The Company is the principal in the vehicle sale transaction and sales income is recognized on a gross basis when the title of the vehicle is transferred to the buyer.

For the loan facilitation services, the Company determines both the Funding Partners and the buyer to be its customers. The Company considers the loan facilitation service, post-origination services and guarantee service as separate services, of which the guarantee service and the post origination service is accounted for in accordance with ASC 815 and ASC 860, respectively.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, net of value-added tax. The transaction price of loan facilitation services includes variable service fees which are contingent on the borrower making timely repayments. Variable consideration is estimated using the expected value method based on historical default rate, current and forecasted repayment trends and is limited to the amount of variable consideration that is probable not to be reversed in future periods. As a result, the estimation of variable consideration involves significant judgement. The Company makes the assessment of whether the estimate of variable consideration is constrained.

2. Summary of Significant Accounting Policies - continued

Revenue recognition** - **continued

Any subsequent changes in the transaction price will be allocated to the performance obligations on the same basis as at contract inception.

The Company first allocates the transaction price to the guarantee liabilities at fair value in accordance with ASC 815. The remaining transaction price is then allocated to the loan facilitation services and post-origination services on a relative standalone selling price basis. The Company does not have observable price for the loan facilitation services and post-origination services because the services are not provided separately. As a result, the estimation of standalone selling price involves significant judgement. The Company estimates the standalone selling price of the loan facilitation and post-origination services using the expected cost plus a margin approach.

Revenues from loan facilitation services are recognized when the Company provides loan facilitation services to Funding Partners and the buyer. Additionally, revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Transaction services fee

The Company entered into credit transaction arrangements with certain Funding Partners. The Company refers borrowers to the Funding Partners which directly fund the credit drawdowns to the borrowers and provides post-origination services, such as short messaging reminder services throughout the term of the loans. For each successful transaction, the Company typically receives a pre-agreed recurring service fee throughout the term of the loans. When borrowers make installment repayments directly to the Funding Partners, the Funding Partners will remit the recurring transaction services fees to the Company on a periodic basis.

The referral services are considered to be the performance obligations in the arrangement. The transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring the promised service to the customer, net of value-added tax. The transaction price allocated to the referral services and post origination services includes variable service fees which are contingent on the borrower making timely repayments to the Funding Partners. Variable consideration is estimated using the expected value method based on historical default rate, current and forecasted borrower repayment trends and is limited to the amount of variable consideration that is probable not to be reversed in future periods. The Company will update its estimate of the variable consideration at the end of each reporting period. The estimation of variable consideration (including the amount of variable consideration constrained) involves significant judgement. Revenues from transaction services are recognized when the Company successfully refers the borrower to the Funding Partner and the Funding Partner provides the funds to the borrower. Revenues from post-origination services are recognized evenly over the term of the loans as the services are performed.

Financing income

Borrowers can withdraw cash ("cash installment credit services") or purchase products (e.g. personal consumer electronics) ("merchandise installment credit services") up to their approved credit limit and elect the installment repayment period, ranging from one to eighteen installments repayment period (either weekly or monthly) through the Company's online website and application (collectively "financing platform") or via borrowers'

2. Summary of Significant Accounting Policies - continued

Revenue recognition** - **continued

Alipay accounts. The Company charges financing service fees for facilitating the financing and managing the financing platform. The financing service fees are recorded as financing income in the consolidated statement of comprehensive income in accordance with ASC 310 *Receivables* (ASC 310) using the effective interest method.

Incentives are provided to certain borrowers and can only be applied as a reduction to the borrower's repayments and cannot be withdrawn by the borrowers in cash. These incentives are recorded as a reduction in financing service fees using the effective interest method.

Sales commission fees

In addition to financing income, the Company earns a margin from its merchandise installment credit services on the products purchased from suppliers on behalf of the borrowers. The margin earned is fixed based on the retail sales price without considering the financing terms chosen by the borrower.

Sales commission fees are recognized and recorded net of the related cost on delivery date, as the Company arranges for the goods to be provided by the suppliers and is considered to be an agent in accordance with ASC 606.

Penalty fee

The Company charges borrowers and lessees penalty fee for late installment payments. The penalty fee is calculated based on the number of overdue days of unpaid outstanding balance of loan principals and lease receivables at the applicable late payment rate. The penalty fee is recognized on a cash basis, which coincides with the penalty fee being probable not to be reversed.

Revenue recognition under ASC 605

Before January 1, 2018, the Company considers the loan facilitation services and the post origination services as a multiple element revenue arrangement under ASC 605, and the Funding Partners as the sole customer in the arrangement. The Company first allocates the consideration to the guarantee liability equaling to the fair value of the guarantee liability. The remaining consideration is allocated to the loan facilitation services and post origination services. The Company does not have vendor specific objective evidence, or VSOE, of selling price for the loan facilitation services and post origination services because the Company does not provide loan facilitation services or post origination services 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 the basis of revenue allocation. As a result, the Company uses the best estimate of selling prices of loan facilitation services and post origination services as the basis of revenue allocation. Nevertheless, the amount allocated to the delivered loan facilitation services is limited to the amount that is not contingent on the delivery of the undelivered post origination services in accordance with ASC 605-25. The loan facilitation services and post origination services are recorded as loan facilitation income and others in the consolidated statements of comprehensive income.

For loan facilitation services, post origination services and sales commission fees, the Company recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement

2. Summary of Significant Accounting Policies - continued

Revenue recognition - continued

exists, (ii) services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured, in accordance with ASC 605. As collectability is uncertain in relation to the remaining loan facilitation services income due to the potential default by borrowers such that they are not considered to be fixed or determinable, the remaining loan facilitation service income is recorded on a cash basis.

For penalty fee, as collectability is not reasonably assured, the penalty fee is recorded on a cash basis.

Leases

Sales-type leases – Lessor under ASC 842

The Company purchases cars from car dealers and leases them to car buyers. Each car buyer is required to make a down payment and pay installments throughout the term of the lease. The lease agreements include lease payments that are largely fixed, do not contain residual value guarantees or variable lease payments. The lease terms are based on the non-cancellable term of the lease and the buyer may have options to terminate the lease in advance when meets certain conditions. The buyer obtains control of the car when the buyer physically possesses the car and when the Company receives cash consideration for the car from the buyer.

A lease arrangement that transfers substantially all of the benefits and risks incident to the ownership of property and that give rise to a dealer's profit or loss is classified as a sales-type lease. For sales-type leases, when collectability is probable at lease commencement, the Company derecognizes the underlying asset and recognizes the net investment in the lease which is the sum of the lease receivable and the unguaranteed residual asset and recognizes in net income any selling profit or loss. Initial direct costs are expensed, at the commencement date, if the fair value of the underlying asset is different from its carrying amount. Interest income is recognized in financing income over the lease term using the interest method.

Sales-type lease under ASC 840

Before January 1, 2019, the Company determines the classification of the lease in accordance with ASC 840, *Leases*. A lease arrangement that transfers substantially all of the benefits and risks incident to the ownership of property and that give rise to a dealer's profit or loss is classified as a sales-type lease. The sales income recognized is the present value of the minimum lease payments computed at the interest rate implicit in the lease, and sales income is recognized on gross basis, as the Company acts as the principal in the transaction. The Company's net investment in a sales-type lease consists of the gross investment minus the unearned income. The unearned income on a sales-type lease is subsequently amortized to financing income over the lease term using the interest method.

Operating Leases – Lessee under ASC 842

The Company has operating leases for certain office rentals as a lessee. At inception of a contract, the Company determines whether that contract is, or contains a lease. For each lease arrangement identified, the Company determines its classification as an operating or finance lease.

2. Summary of Significant Accounting Policies - continued

Leases - continued

The Company records a lease liability and corresponding operating lease right-of-use ("ROU") asset at lease commencement. Lease liabilities represent the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement. The Company's lease agreements include lease payments that are largely fixed, do not contain material residual value guarantees or variable lease payments. The discount rate is determined using the Company's incremental borrowing rate at lease commencement since the rate implicit in the lease is not readily determinable. The Company uses its unsecured borrowing rate over the lease term and adjusts the rate based on its credit risk and the effects of collateral to approximate a collateralized rate, which will be updated on an annual basis for measurement of new lease liabilities. The weighted average discount rate as of December 31, 2019 is 3.15%. ROU asset represents the right to use an underlying asset for the lease term and are recognized in an amount equal to the lease liability adjusted for any lease payments made prior to commencement date, less any lease incentives received, and any initial direct costs incurred by the Company. The weighted average remaining lease term as of December 31, 2019 is 25 months. Lease terms are based on the non-cancellable term of the lease and may contain options to extend the lease when it is reasonably certain that the Company will exercise the option, however none of these have been recognized in the Company's right-of-use assets or lease liabilities since those options were not reasonably certain to be exercised.

Operating lease expense is recognized as a single lease cost on a straight-line basis over the lease term and is included in general and administrative expenses, on the consolidated statements of comprehensive income. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities.

Operating leases under ASC 840

Before January 1, 2019, leases where the Company is the lessee, and 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 of the operating lease agreements contain rent holidays. Rent holidays are considered in determining the straight-line rent expense to be recorded over the lease term.

Foreign currency translation and transactions

The functional currency of the Company, and the subsidiaries in the Cayman Islands, British Virgin Islands and Hong Kong is US$. The Company's subsidiaries, VIEs, and subsidiaries of the VIEs 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 the subsidiaries in the Cayman Islands, British Virgin Islands and Hong Kong 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 loss, 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.

2. Summary of Significant Accounting Policies - continued

Foreign currency translation and transactions - continued

Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured 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 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.

Time Deposits

Time deposits with financial institutions have original maturities of three to twelve months and are pledged for short-term bank borrowings.

Short-term Investments

Short-term investments consist of wealth management products and certain subordinated shares of a trust. The Company measures its short-term investments at fair value. The realized investment income of short-term investments is recognized in the consolidated statements of comprehensive income.

Guarantee deposits

In the ordinary course of business, the Company is required to guarantee the recoverability of the loan principal and interest for loans originated by the Company that are transferred to certain Funding Partners, and the recoverability of loans directly funded by certain Funding Partners. As a result, the Company may provide a cash deposit to the respective Funding Partners. The cash deposits are released only after the loan principal and interest are settled. Guarantee deposits represent cash that cannot be withdrawn without the permission of the Funding Partners. These guarantee deposits qualify as compensating balance arrangements under SEC Regulation S-X Rule 5-02 and are classified as current assets in the consolidated balance sheets.

Loan principal and financing service fee receivables

Loan principal and financing service fee receivables represent payments due from borrowers that utilize the Company's credit services. Loan principal and financing service fee receivables are recorded at amortized cost, net of allowance for loan principal and financing service fee receivables. Deferred origination costs are netted against revenue and amortized over the financing term using the effective interest method.

2. Summary of Significant Accounting Policies - continued

Allowance for loan principal and financing service fee receivables

The Company considers the loans to be homogenous as they are all unsecured consumer loans of similar principal amounts. The profiles of the borrowers are also similar i.e. age, credit histories and employment status. Therefore, the Company applies a consistent credit risk management framework to the entire portfolio of loans in accordance with ASC 450-20, *Loss Contingencies* (ASC 450-20).

The allowance for loan principal and financing service fee receivables losses is calculated based on historical loss experience with the entire loan portfolio, using a roll rate-based model. The roll rate-based model stratifies the loan principal and financing service fee receivables by delinquency stages (i.e., current, 1-30 days past due, and 31-60 days past due etc.) and projected forward in one-month increments using historical roll rates. In each month of the simulation, losses on the loan principal and financing service fee receivables types are captured, and the ending delinquency stratification serves as the beginning point of the next iteration. This process is repeated on a monthly rolling basis. The loss rate calculated for each delinquency stage is then applied to the respective loan principal and service fees balance. The Company adjusts the allowance that is determined by the roll rate-based model for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations. Each of these macroeconomic factors are equally weighted, and a score is applied to each factor based on year-on-year increases and decreases in that respective factor.

Loan principal and financing service fee receivables are charged off when a settlement is reached for an amount that is less than the outstanding balance or when the Company determined the balance to be uncollectable. In general, the Company considers loan principal and financing service fee receivables meeting any of the following conditions as uncollectable and charged-off: (i) death of the borrower; (ii) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments or (iii) loans that are 180 days past due.

Nonaccrual loan principal

The Company does not accrue financing service fee on loan principals that are considered impaired or are more than 90 days past due. A corresponding allowance is determined under ASC 450-20 and allocated accordingly. After an impaired financing service fee receivable is placed on nonaccrual status, financing service fee will be recognized when cash is received on a cash basis cost recovery method by applying first to reduce principal and then to financing income thereafter. Financing service fee accrued but not received is generally reversed against financing income. Financing service fee receivables may be returned to accrual status after all of the borrower's delinquent balances of loan principal and financing service fee have been settled and the borrower remains current for an appropriate period.

Finance lease receivables

Finance lease receivables are carried at amortized cost comprising of original financing lease and direct costs, net of unearned income and allowance for finance lease receivables.

2. Summary of Significant Accounting Policies - continued

Allowance for finance lease receivables

The Company considers the finance lease receivables to be homogenous as they are all automotive finance lease receivables collateralized by vehicle titles of similar principal amounts. Therefore, the Company applies a consistent credit risk management framework to the entire portfolio of finance lease receivables in accordance with ASC 450-20.

The allowance for finance lease receivables is calculated based on historical loss experience using probability of default (PD) and loss given default (LGD) methods. The Company stratifies probability of default and loss given default by the recovered rate under different scenarios (i.e. cash collection, repossessing the leased vehicle or non-recovery), and calculates allowance balance by timing exposure at default under each scenario. This process is repeated on a monthly basis. Loss given default is projected based on historical experience of actual loss and considered proceeds from recovery of the repossessed assets. The Company adjusts the allowance that is determined by the PD and LGD methods for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations. Each of these macroeconomic factors are equally weighted, and a score is applied to each factor based on year-on-year increases and decreases in that respective factor.

Finance lease receivables are charged off when a settlement is reached for an amount that is less than the outstanding balance or when the Company determined the balance to be uncollectable. In general, the Company considers finance fee receivables meeting any of the following conditions as uncollectable and charged-off: (i) death of the borrower; (ii) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments or (iii) all finance lease receivables that are 180 days past due are therefore deemed uncollectible and charged-off; (iv) the vehicle is repossessed.

Nonaccrual finance lease receivables

A finance lease receivable is considered impaired when the lease receivables are more than 90 days past due, or when it is probable that the Company will be unable to collect all amounts due according to the terms of the contract. Factors such as payment history, compliance with terms and conditions of the underlying financing lease agreement and other subjective factors related to the financial stability of the borrower are considered when determining whether finance lease receivables are impaired. The Company does not accrue financing lease income on net investment of finance lease receivables that are considered impaired. A corresponding allowance is determined under ASC 450-20 and allocated accordingly. Accrual of financing lease income is suspended on accounts that are impaired, accounts in bankruptcy and accounts in repossession. Payments received on non-accrual finance lease receivables are first applied to any fees due, then to any interest due and, finally, any remaining amounts received are recorded to principal. Interest accrual resumes once an account has received payments bringing the impaired status to current.

Contract Assets and Account Receivables

Contract assets represent the Company's right to consideration in exchange for loan facilitation business and transaction services business that the Company has transferred to the customer before payment is due. Account receivables represent the considerations for which the Company has satisfied its performance obligations and has

2. Summary of Significant Accounting Policies - continued

Contract Assets and Account Receivables - continued

the unconditional right to consideration. The Company assesses contract assets and account receivables for impairment in accordance with ASC 310.

Contract assets as of December 31, 2018 and 2019 were RMB 919,033,354 and RMB 3,015,511,191 (US$ 433,151,080) respectively. Account receivables were RMB 80,877,066 and RMB 190,296,539 (US$ 27,334,388) as of December 31, 2018 and 2019 respectively, which is repayments the borrowers made directly to the Funding Partners and remitted to the Company on a periodic basis. The remaining unsatisfied performance obligations as of December 31, 2019, pertaining to post-origination services amounted to RMB 180,436,296 (US$ 25,918,052). The remaining unsatisfied performance obligations will be recognized in three years.

Long-term investments

Long-term investments are investments in privately held companies at fair value under ASU 2016-01. The changes in the fair value of long-term investments are recognized in net income. As of December 31, 2019, no material adjustments were made to the carrying amount because of observable price changes and impairment charges.

Inventories

Inventories are stated at the lower of cost and net realizable value using specific identification method.

Borrowings

The Company facilitates credit to borrowers and then transfers certain loan principals to certain Funding Partners. The loan principals are not derecognized when they are transferred to the Funding Partners as the loan principals are not legally isolated in accordance with ASC 860. As a result, the loan principal remains on the Company's consolidated balance sheet and the funds received from the Funding Partners are recorded as borrowings. Borrowings are initially recognized at fair value which is the cash received from Funding Partners and measured subsequently at amortized cost using the effective interest method.

The borrowings from banks and the Company's consolidated trusts' payables to the third party beneficiary are initially recognized equaling to the cash received from the beneficiary and measured subsequently at amortized cost using the effective interest method.

Guarantee liabilities

As part of the Company's cooperation with various Funding Partners, the Company provides guarantee on the principal and accrued interest repayment of the defaulted loans to the Funding Partners, even if the loans are subsequently sold by the Funding Partners.

2. Summary of Significant Accounting Policies - continued

Guarantee liabilities - continued

The financial guarantee is accounted for as a credit derivative under ASC 815 because the scope exemption in ASC 815-10-15-58(c) is not met. The guarantee liabilities are remeasured at each reporting period. The change in fair value of the guarantee liabilities is recorded as changes in guarantee liabilities in the consolidated statements of comprehensive income. When the Company settles the guarantee liabilities through performance of the guarantee by making requisite payments on the respective defaulted loans, the Company records a corresponding deduction to the guarantee liabilities. Subsequent collection from the borrower through the Funding Partners will be recognized as a reversal of the deduction to guarantee liabilities.

Risk assurance liabilities

In April 2019, the Company and various Funding Partners entered into contracts to provide risk assurance on the principal and accrued interest repayment of loans facilitated through the platform the Company operates. 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 over the term of the arrangement (the non-contingent aspect) is accounted for in accordance with ASC 460. The contingent obligation relating to the contingent loss arising from the arrangement is accounted for in accordance with ASC 450, *Contingencies*. At inception, the Company recognizes 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 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 the stand ready obligation 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 the amount of loss is estimable. The contingent loss is calculated based on the expected future payouts, adjusted for various qualitative factors. These factors may include gross-domestic product rates, per capita disposable income, consumer price indexes, regulatory impact and other considerations.

Treasury shares

The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account on the consolidated balance sheets.

2. Summary of Significant Accounting Policies - continued

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
Office and electronic equipment	3-5 years	Nil%-5%
Motor vehicles	4 years	5%
Leasehold improvements	Over the shorter of the expected life of leasehold improvements or the lease term	Nil%

Costs associated with the repair and maintenance of property and equipment are expensed as incurred. Construction in progress represents building construction costs, which is stated at cost and is not depreciated.

Land use rights

All land in the PRC is owned by the PRC government. The PRC government may sell land use rights for a specified period of time. Land use rights represent operating leases in accordance with ASC 842, Leases (ASC 842). The purchase price of land use rights represents lease prepayments to the PRC government and is recorded as an operating lease right-of-use ("ROU") asset on the consolidated balance sheet. The ROU asset is amortized over the remaining lease term – 38 years.

Before January 1, 2019, land use rights represent lease prepayments to the local government authorities. Land use rights are carried at cost less accumulated amortization and any impairment loss. Amortization is calculated on a straight-line basis over the term of the related land use right contracts.

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, most of which varies from 1-10 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

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

2. Summary of Significant Accounting Policies - continued

Research and development - continued

functionality in the Company's services. No research and development costs were capitalized for all years presented as the Company has not met all of the necessary capitalization requirements.

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 years ended December 31, 2017, 2018 and 2019, 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 35,004,467, RMB 71,413,352 and RMB 42,724,802 (US$ 6,137,034) for the years ended December 31, 2017, 2018 and 2019, respectively.

Advertising costs

Advertising costs are expensed as incurred in accordance with ASC 720-35, *Other Expense-Advertising costs*. Advertising costs were RMB 43,470,301, RMB 9,994,935 and RMB 85,928,890 (US$ 12,342,913) for the years ended December 31, 2017, 2018 and 2019, respectively. Advertising costs are included in sales and marketing expenses in the consolidated statements of comprehensive income.

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 contributions to technology development and are typically granted based on the amount of investment made by the Company in the form of registered capital or taxable income generated 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 local governments have sole discretion as to whether the Company met all of the criteria to be entitled to the subsidies.

Government grants are recognized when the entity will comply with the conditions attached to the grant received and there is reasonable assurance that the grant will be received or already received.

2. Summary of Significant Accounting Policies - continued

Value added taxes

Beijing Happy Fenqi Technology Development Co., Ltd., Hunan Happy Time Technology Development Co., Ltd., Hunan Qudian Technology Development Co., Ltd., Xiamen Youdun Technology Co., Ltd., Xiamen Youqi Technology Co., Ltd. and Xiamen Youxiang Time Technology Service Co., Ltd. are small-scale VAT taxpayers with an applicable VAT rate of 3%. The other subsidiaries of the VIEs are all general VAT taxpayers (applicable tax rate: 6%, 13% or 16%).

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, for general VAT payers' sales activities previously subject to VAT rates of 17%, the applicable VAT rate was adjusted to 16% starting from May 1, 2018.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform, or Announcement 39, which came into effect on April 2019, to further slash VAT rates. According to Announcement 39, for general VAT payers' sales activities previously subject to VAT at an existing applicable rate of 16%, the applicable VAT rate was adjusted to 13%.

VAT is reported as a deduction to revenue when incurred and amounted to RMB 280,586,358, RMB 810,200,790 and RMB 792,753,015 (US$ 113,871,846) for the years ended December 31, 2017, 2018 and 2019, respectively. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Output VAT receivable net of input VAT payable 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 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.

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, the tax position is then assessed to determine the

2. Summary of Significant Accounting Policies - continued

Income taxes - continued

amount of benefits to recognize in the consolidated financial statements. The amount of the benefits that may be recognized is the largest amount that more-likely-than not to be realized upon ultimate settlement. The Company's estimated liability for unrecognized tax benefits which is included in the income tax payable in the consolidated balance sheets is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. The Company elects to classify interest and penalties related to an uncertain tax position, if and when required, as part of income tax expense in the consolidated statements of comprehensive income. The Company did not recognize any income tax due to uncertain tax position nor incurred any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2017, 2018 and 2019.

Segment information

In accordance with ASC 280 *Segment Reporting* ("ASC 280"), the Company's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. The Company had two reportable segments in 2018, consisting of installment credit services and automobile leasing services. In 2019, the Company changed its operating segments and combined installment credit services segment and automobile leasing services segment into a single reportable segment as it winds down its automobile leasing business. The Company also began offering transaction services in 2019, which is regularly reviewed by the CODM. As the Company generates substantially all of its revenues in the PRC, no geographical segments are presented.

Fair value measurements of financial instruments

Financial instruments include cash and cash equivalents, restricted cash, time deposits, loan principal and financing service fee receivables, finance lease receivables, amounts due from related parties, long-term investments, guarantee deposits, borrowings, convertible senior notes, guarantee liabilities and risk assurance liabilities. The carrying amount of the aforementioned financial instruments included in current assets and liabilities approximate their respective fair value because of their short maturities. The carrying amount of the long-term loan principal and financing service fee receivables, long-term finance lease receivables, and long-term borrowings, approximate their fair values due to the fact that the related interest rates approximate rates currently offered by Funding Partners for similar debt instruments of comparable maturities.

Fair value of guarantee liabilities

The fair value of the guarantee liabilities was estimated using a discounted cash flow model based on expected payouts from the arrangement with the Funding Partners. The Company estimates its expected future payouts based on estimates of expected delinquency rate and a discount rate for time value.

2. Summary of Significant Accounting Policies - continued

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.

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-Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2-Include observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data
- Level 3-Unobservable inputs which are supported by little or no market activity

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.

Ordinary equivalent shares include ordinary shares issuable upon the conversion of convertible senior notes using the if-converted method and ordinary shares issuable upon the exercise of share options, using the treasury stock method.

Share-based payments

Share-based payment transactions with employees and independent directors, such as share options 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 accelerated recognition method, over the applicable vesting period for each separately vesting portion of the award. The estimate of forfeitures is 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 is recognized through a cumulative catch-up adjustment in the period of change and also impact the amount of share-based compensation expense to be recognized in future periods.

2. Summary of Significant Accounting Policies - continued

Share-based payments - continued

A change in any of the terms or conditions of share options is accounted for as a modification of share options. The Company calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested options, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Prior to January 1, 2019, the Company accounts for share options issued to non-employees in accordance with the provisions of ASC 505-50, *Equity: Equity-based Payments to Non-Employees*. The Company uses the Black-Scholes-Merton option pricing model method to measure the value of options granted to non-employees at each vesting date to determine the appropriate charge to share-based compensation. Subsequent to January 1, 2019, ASC 718 requires share-based compensation to be presented in the same manner as cash compensation rather than as a separate line item. The cumulative effect of this accounting change is immaterial.

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 6.9618 per US$1.00 on December 31, 2019, as published on the website of the United States Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be converted into US$ at such rate.

Investment in equity method investee

The Company uses the equity method to account for an equity investment 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 cost of the investment over the proportional fair value of the assets and liabilities of the investee is reflected in the Company's memo accounts as "equity method goodwill". The equity method goodwill is not subsequently amortized and is not tested for impairment under ASC 350. Equity method investments shall continue to be reviewed for impairment in accordance with paragraph ASC 323-10-35-32. 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 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.

2. Summary of Significant Accounting Policies - continued

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 Funding Partners at exchange rates quoted by PBOC. Approval of foreign 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, time deposits, guarantee deposits, short-term investment, loan principal and financing service fee receivables, finance lease receivables and other receivables.

The Company places its cash and cash equivalents and short-term investments, with reputable Funding Partners that have high-credit ratings and quality. There has been no recent history of default in relation to these Funding Partners.

The Company manages credit risk of loan principal and financing service fee receivables by performing credit assessments on its borrowers and its ongoing monitoring of the outstanding balances.

No borrower represented 10% or more of total revenues and loan receivable and financing service fee receivable for the years ended December 31, 2017, 2018 and 2019.

Borrower default risk

Financial assets that potentially expose the Company to borrower default risk consist primarily of loan principal and financing service fee receivables, finance lease receivables, and contract assets.

Besides, the Company enters into guarantee arrangements with Funding Partners to facilitate borrowing transactions, under which the Company provides the Funding Partners protection against the borrower default risk on a set of loans invested by them. The Company will have to perform the guarantee obligation if a default event as defined under the contract occurs. The contractual or notional amounts of these liabilities represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions.

The Company manages borrower default risk on their payment for loan principal and financing service fee receivables, and finance lease receivables by performing credit assessments on its borrowers and its ongoing monitoring of the outstanding balances.

The Company manages borrower default risk of guarantee liabilities and risk assurance liabilities through self-developed risk management model. The rating scale of risk management model takes into account factors such as identity characteristics, credit history, payment overdue history, payment capacity, behavioral characteristics and online social network activity.

2. Summary of Significant Accounting Policies - continued

Significant risks and uncertainties - continued

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 not used any derivative financial instruments to manage the interest risk exposure during the years 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.

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842), as amended which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC 842 requires most leases to be recognize a ROU asset and lease liability on the balance. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company adopted the new guidance on January 1, 2019 using the modified retrospective transition method by applying the new standard to all leases existing at the date of initial application and not restating comparative periods.

The Company elected the package of practical expedients for lessors and lessees as permitted under the transition guidance within the new standard. Accordingly, the Company has adopted these practical expedients and did not reassess: (i) whether any expired or existing contracts are or contains leases; (ii) lease classification for any expired or existing leases; (iii) initial direct costs for any existing leases. As a lessee, the Company also elected the practical expedient to account for non-lease components associated with leases and lease components as a single lease component.

2. Summary of Significant Accounting Policies - continued

Recently Adopted Accounting Pronouncements - continued

Leases - continued

The cumulative effect of the changes made to the Company's consolidated balance sheet as of January 1, 2019 for the adoption of ASC 842 is as follows:

	Balance as of December 31, 2018 RMB	Adjustments due to the adoption of ASC 842 RMB	Balance as of January 1, 2019 RMB
Assets:			
Other current assets	1,818,222,205	(1,133,930)	1,817,088,275
Operating lease right-of-use assets	—	160,918,648	160,918,648
Land use right	106,545,362	(106,545,362)	—
Liabilities:			
Short-term lease liabilities	—	26,675,013	26,675,013
Long-term lease liabilities	—	26,564,343	26,564,343

The impact of adopting ASC 842 on the Company's consolidated balance sheet as of December 31, 2019 is as follows:

	As reported RMB	Balance without the adoption of ASC 842 RMB	Effect of change Higher/(lower) RMB
Assets:			
Other current assets	1,638,904,061	1,640,307,403	(1,403,342)
Operating lease right-of-use assets	148,851,099	—	148,851,099
Land use right	—	103,834,729	(103,834,729)
Liabilities:			
Short-term lease liabilities	21,918,649	—	21,918,649
Long-term lease liabilities	21,694,379	—	21,694,379

The impact of adopting ASC 842 on the Company's statement of cash flows for the year ended December 31, 2019 is as follows:

	As reported RMB	Amounts without the adoption of ASC 842 RMB	Effect of change Higher/(lower) RMB
Operating activities	5,503,389,324	5,241,320,097	262,069,227
Investing activities	(929,558,817)	(667,489,590)	(262,069,227)
Financing activities	(3,372,335,137)	(3,372,335,137)	—
Effect of exchange rate changes	76,077,072	76,077,072	—
Net change in cash, cash equivalents, and restricted cash	1,277,572,442	1,277,572,442	—

2. Summary of Significant Accounting Policies - continued

Recently Adopted Accounting Pronouncements - continued

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*, which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company adopted this standard update effective January 1, 2018, using the prospective method. The standard update did not have a material impact on the Company's statement of financial position.

Stock Compensation

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, Compensation-Stock Compensation (Topic 718): *Improvements to Nonemployee Share-Based Payment Accounting*. The new standard largely aligns the accounting for share-based payment awards issued to employees and nonemployees by expanding the scope of ASC 718 to apply to nonemployee share-based transactions, as long as the transaction is not effectively a form of financing. The Company adopted this standard update effective January 1, 2019. The standard update did not have a material impact on the Company's statement of financial position.

Recent Accounting Pronouncements: Issued but not effective

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (ASC 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 the Company's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. This ASU is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. In addition, the FASB issued ASU No. 2018-19, ASU No. 2019-04 and ASU No. 2019-05, as the amendments related to ASU 2016-13. These updates will be effective upon adoption of ASU No. 2016-13. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements. The most significant impact of the standard relates to the accounting for allowance of loan principal and financing service fee receivables and risk assurance liabilities. The Company expect to measure the credit losses based on management's best estimate using macroeconomic forecast assumptions applicable through the lifetime of the related assets. The Company will adopt the new standard effective December 15, 2019, using the modified retrospective transition method. Upon adoption of the standard on January 1, 2020, the Company recorded a RMB 47 million (US$ 7 million) increase to the allowance for receivables and a RMB 1,093 million

2. Summary of Significant Accounting Policies - continued

Recent Accounting Pronouncements: Issued but not effective - continued

(US$ 157 million) increase to risk assurance liabilities. After adjusting for deferred taxes, a RMB 975 million (US$ 140 million) decrease was recorded in retained earnings through a cumulative-effect adjustment.

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 its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (ASC 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for 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 December 2019, the FASB issued ASU 2019-01, *Financial services – Depository and lending (ASC 942)*, which provides incremental industry-specific accounting and reporting guidance for depository and lending financial institutions and applies to finance companies. With the issuance of ASU 2019-01, the FASB clarified that lessors in the scope of ASC 942 must classify principal payments received under sales-type and direct financing leases in investing activities in the statement of cash flows. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. The guidance should be applied on a prospective basis. The Company does not believe this standard will have a material impact on its consolidated financial statements.

3. Restricted cash

Restricted cash are cash and cash equivalents that are not readily available for normal disbursement and mainly represents (i) cash held by the consolidated trusts through segregated bank accounts; and (ii) security deposits held in designated bank accounts for the provision of guarantee. Such restricted cash is not available to fund the general liquidity needs of the Company.

4. Loan principal and financing service fee receivables

4.1 Loan principal and financing service fee receivables consists of the following:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Short-term loan principal and financing service fee receivables:			
Loan principal and financing service fee receivables	8,987,655,812	9,423,515,633	1,353,603,326
Less: allowance for loan principal and financing service fee receivables	(569,834,399)	(1,528,818,175)	(219,600,990)
Short-term loan principal and financing service fee receivables, net	8,417,821,413	7,894,697,458	1,134,002,336
Long-term loan principal and financing service fee receivables:			
Loan principal and financing service fee receivables	681,153,632	458,311	65,832
Less: allowance for loan principal and financing service fee receivables	(15,500,802)	(34,726)	(4,988)
Long-term loan principal and financing service fee receivables, net	665,652,830	423,585	60,844

As of December 31, 2018 and 2019, loans amounting to RMB 1,511,540,000 and RMB 10,827,000 (US$ 1,555,201), respectively, were transferred to certain Funding Partners, but were not derecognized upon transfer, as the loan principal and financing service fee receivables are not legally isolated in accordance with ASC 860, *Transfers and Servicing*.

4.2 The following table presents nonaccrual loan principal as of December 31, 2018 and 2019, respectively.

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Nonaccrual loan principal	298,090,833	629,975,114	90,490,263
Less: allowance for nonaccrual loan principal	(249,337,315)	(542,342,960)	(77,902,692)
Nonaccrual loan principal, net	48,753,518	87,632,154	12,587,571

4. Loan principal and financing service fee receivables - continued

4.3 The following table presents the aging of past-due loan principal and financing service fee receivables as of December 31, 2018:

	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total past due	Current	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Domestic consumer loans (uncollateralized)									
– Loan principal	153,188,330	108,534,529	104,483,171	103,666,846	99,037,153	95,386,834	664,296,863	8,882,336,723	9,546,633,586
– Financing service fee receivables	4,328,154	5,544,754	7,107,525	—	—	—	16,980,433	105,195,425	122,175,858
	157,516,484	114,079,283	111,590,696	103,666,846	99,037,153	95,386,834	681,277,296	8,987,532,148	9,668,809,444

The following table presents the aging of past-due loan principal and financing service fee receivables as of December 31, 2019:

	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total past due	Current	Total	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$
Domestic consumer loans (uncollateralized)										
– Loan principal	314,329,532	212,627,071	185,994,374	187,743,328	224,256,822	217,974,964	1,342,926,091	7,927,745,442	9,270,671,533	1,331,648,644
– Financing service fee receivables	6,233,044	8,117,518	10,668,868	—	—	—	25,019,430	128,282,981	153,302,411	22,020,514
	320,562,576	220,744,589	196,663,242	187,743,328	224,256,822	217,974,964	1,367,945,521	8,056,028,423	9,423,973,944	1,353,669,158

As of December 31, 2018 and 2019, all loans which are past due 90 days or more are nonaccrual.

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

4. Loan principal and financing service fee receivables - continued

4.4 Movement of allowance for loan principal and financing service fee receivables is as follows:

	As of December 31,						
	2018			2019			
	Loan principal	Financing service fee receivables	Total	Loan principal	Financing service fee receivables	Total	
	RMB	RMB	RMB	RMB	RMB	RMB	US$
Balance at the beginning of the year	506,296,690	12,957,316	519,254,006	568,224,324	17,110,877	585,335,201	84,078,141
Additions/ (reverse)	1,139,260,526	4,153,561	1,143,414,087	2,149,665,886	9,570,033	2,159,235,919	310,154,833
Charge-offs	(1,077,332,892)	—	(1,077,332,892)	(1,215,718,219)	—	(1,215,718,219)	(174,626,996)
Balance at the end of the year	568,224,324	17,110,877	585,335,201	1,502,171,991	26,680,910	1,528,852,901	219,605,978
Evaluated for impairment on a portfolio basis	568,224,324	17,110,877	585,335,201	1,502,171,991	26,680,910	1,528,852,901	219,605,978

5. Finance lease receivables

5.1 Finance lease receivables consists of the following:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Gross investment in finance lease receivables	1,381,250,930	749,932,364	107,721,044
Less: unearned income	(194,596,102)	(72,046,860)	(10,348,884)
Net investment in finance lease receivables	1,186,654,828	677,885,504	97,372,160
Less: allowance for finance lease receivables	(28,765,413)	(39,933,036)	(5,736,021)
Finance lease receivables, net	1,157,889,415	637,952,468	91,636,139

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

5. Finance lease receivables - continued

5.2 The following table presents nonaccrual finance lease receivables as of December 31, 2018 and 2019, respectively.

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Nonaccrual finance lease receivables	15,486,171	8,370,040	1,202,281
Less: allowance for nonaccrual financial lease receivables	(2,399,986)	(1,622,695)	(233,086)
Nonaccrual finance lease receivables, net	13,086,185	6,747,345	969,195

5.3 The following table presents the aging of past-due finance lease receivables as of December 31, 2018:

	1-30 days	31-60 days	61-90 days	90-120 days	120-150 days	150-180 days	Total past due	Current	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Finance lease receivables	28,615,122	16,647,141	11,380,743	6,484,050	6,107,653	2,894,468	72,129,177	1,114,525,651	1,186,654,828

The following table presents the aging of past-due finance lease receivables as of December 31, 2019:

	1-30 days	31-60 days	61-90 days	90-120 days	120-150 days	150-180 days	Total past due	Current	Total	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	US$
Finance lease receivables	33,811,033	13,502,906	8,766,976	4,325,421	2,306,750	1,737,869	64,450,955	613,434,549	677,885,504	97,372,160

As of December 31, 2018 and 2019, all finance lease receivables which are past due 90 days or more are nonaccrual.

5.4 The following table presents the future minimum lease payments to be received:

	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Total
	RMB	RMB	RMB	RMB	RMB	RMB
As of December 31, 2018						
Finance lease receivables	550,315,459	496,391,986	284,434,371	50,109,114	—	1,381,250,930

	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Total
	RMB	RMB	RMB	RMB	RMB	RMB
As of December 31, 2019						
Finance lease receivables	444,697,424	258,140,571	46,157,291	937,078	—	749,932,364

	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Total
	US$	US$	US$	US$	US$	US$
As of December 31, 2019						
Finance lease receivables	63,876,788	37,079,573	6,630,080	134,603	—	107,721,044

QUDIAN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019

(Amounts in Renminbi ("RMB") and US dollar ("US$"), except for number of shares and per share data)

5. Finance lease receivables - continued

5.5 Movement of allowance for finance lease receivables for the year ended December 31, 2018 and 2019 are as follows:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Balance at the beginning of the year	—	28,765,413	4,131,893
Additions/(reverse)	32,010,270	30,236,266	4,343,168
Charge-offs	(3,244,857)	(19,068,643)	(2,739,040)
Balance at the end of the year	28,765,413	39,933,036	5,736,021
Evaluated for impairment on a portfolio basis	28,765,413	39,933,036	5,736,021

6. Other current assets

Other current assets consist of the following:

		As of December 31,		
		2018	2019	
		RMB	RMB	US$
Prepaid expenses		68,691,524	33,079,966	4,751,640
Prepayments for vehicles		30,944,103	—	—
Inventory		128,014,636	8,915,574	1,280,642
Deposits in trust protection fund	6.1	50,276,500	72,264,547	10,380,153
Guarantee deposits held by Funding Partners		568,378,857	743,294,858	106,767,626
Receivables from third party payment service providers	6.2	821,217,132	466,035,906	66,941,869
Receivables from service providers		117,432,654	203,700,889	29,259,802
Other receivables from customers		—	75,463,305	10,839,626
Others		48,388,467	63,409,004	9,108,130
Total		1,833,343,873	1,666,164,049	239,329,488
Less: Allowance for other current assets		(15,121,668)	(27,259,988)	(3,915,652)
		1,818,222,205	1,638,904,061	235,413,836

6.1 According to the relevant PRC regulations, the consolidated trusts are required to deposit 1% of the trusts' capital to the trust protection fund, which will be released when the trusts are liquidated.

6.2 The Company has accounts with third-party payment service providers mainly to grant and collect loans. The balance of receivables from third-party payment service providers is unrestricted as to withdrawal and use and readily available to the Company on demand.

7. Lease

Sales-type lease

Sales-type lease income recognized consists of the following:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Financing income	32,645	83,127,614	89,872,562	12,909,386
Sales income	26,083,472	1,359,261,392	89,150,614	12,805,684

Operating lease arrangements

The Company leases certain office premises under non-cancelable leases, and an operating lease arrangement with the local government of Xiamen for land use right. Lease costs under operating leases for the years ended December 31, 2017, 2018 and 2019 were RMB 15,931,076, RMB 66,600,515 and RMB 30,856,490 respectively.

Future minimum lease payments under non-cancelable operating leases agreements consist of the following as of December 31, 2019:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Year ending December 31,			
1 year (Including 1 year)	29,504,842	23,907,380	3,434,080
1 year to 2 years (Including 2 years)	18,334,607	18,844,937	2,706,906
2 years to 3 years (Including 3 years)	13,269,047	4,388,769	630,408
Over 3 years	4,327,678	—	—
Total lease payment	65,436,174	47,141,086	6,771,394
Less: imputed interest		3,528,058	506,774
Present value of lease liabilities		43,613,028	6,264,620

The Company's operating lease commitments have no renewal options, rent escalation clauses and restriction or contingent rents as of December 31, 2017, 2018 and 2019.

Supplemental lease cash flow disclosures

	For the years ended December 31,	
	2019	
	RMB	US$
Operating cash flows used in operating leases	26,788,051	3,847,863
ROU assets obtained in exchange for new operating lease liabilities	22,606,871	3,247,274

8. Investment in equity method investee

On October 17, 2016, the Company made a commitment to invest RMB 190 million in cash for 45.9% of the equity interest in Ganzhou QuCampus Technology Co., Ltd ("Ganzhou QuCampus") which mainly operates computer services, advisory, and online merchandise services. As of December 31, 2019, the Company contributed RMB 70 million in Ganzhou QuCampus and held a 45.9% equity interest in Ganzhou QuCampus. As the Company has significant influence over Ganzhou QuCampus, Ganzhou QuCampus was accounted for as an equity method investment. The difference between the RMB 190 million and RMB 70 million is a commitment to make future contributions to Ganzhou QuCampus. The commitment generally would not be included in the initial measurement of equity method investment unless other authoritative guidance requires it. The cost of the investment over the proportional fair value of the assets and liabilities of the investee is reflected in the Company's memo accounts as "equity method goodwill". The equity method goodwill is not subsequently amortized and is not tested for impairment under ASC 350. Equity method investments is reviewed periodically for impairment in accordance with paragraph ASC 323-10-35-32. The Company's share of loss in Ganzhou QuCampus for the years ended December 31, 2017, 2018 and 2019 was RMB 20,676,273, RMB 11,319,279 and RMB 3,419,825 (US$ 491,227), respectively, which was recognized in the consolidated statements of comprehensive income. The Company expects that Ganzhou QuCampus has the ability to recover the carrying amount of the investment and determined that the investment is not impaired as of December 31, 2018 and 2019.

9. Long-term investments

In April 2019, the Company invested RMB 180 million for a 9% equity interest in Beijing Changba Technology Co., Ltd. In July 2019, the Company invested RMB 4,868,073 for an extra 0.2434% equity interest in Beijing Changba Technology Co., Ltd. The per share consideration was the same as the April 2019 transaction. The Company can neither control nor exercise significant influence over the investee. The equity investment does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value using the net asset value per share. The Company elected to measure the investment at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

In July 2019, the Company subscribed for 550 Series A Preferred Shares from Great Alliance Co-living Limited ("Great Alliance") at an aggregate purchase price of US$5.5 million (RMB 38 million), which represented a 5.21% equity interest in the entity. The equity investment does not have a readily determinable fair value and does not qualify for the practical expedient to estimate fair value using the net asset value per share. The Company elected to measure the investment at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

There were no observable price changes for the long-term investments since the acquisition date.

10. Short-term and long-term borrowings

In the ordinary course of business, the Company transfers loan principals to certain Funding Partners. However, in accordance with ASC 860 *Transfers and Servicing* the loan principals are not derecognized upon transfer as they are not legally isolated. Hence, the Company continues to report the transferred loan principal in the consolidated balance sheets and account for the proceeds from the transfer as a secured borrowing with pledge of collateral.

10. Short-term and long-term borrowings - continued

The following table presents short-term borrowings from the Funding Partners as of December 31, 2018 and 2019. Short-term borrowings include 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 by the Funding Partners on demand:

Funding Partners	Fixed annual rate (%)	Term*	As of December 31, 2018	2019	
			RMB	RMB	US$
Other institutions	8.5%-11%	62 to 368 days	1,553,910,792	—	—
Trust beneficiaries	7%-16%	12 to 24 months	2,250,801,743	842,977,069	121,086,080
Bank	3.92%-12%	31 to 367 days	55,728,040	206,593,264	29,675,265
			3,860,440,575	1,049,570,333	150,761,345

* Includes current portion of borrowings greater than 1 year.

The following table presents long-term borrowings from Funding Partners as of December 31, 2018 and 2019:

Funding Partners	Fixed annual rate (%)	Term	As of December 31, 2018	2019	
			RMB	RMB	US$
Trust beneficiaries	8% to 10%	13 to 36 months	413,400,000	—	—
			413,400,000	—	—

The weighted average interest rate for the outstanding borrowings was approximately 7.91% and 8.42% as of December 31, 2018 and 2019, respectively.

The following table sets forth the contractual obligations which has not included impact of discount of time value as of December 31, 2018. There were no long-term borrowings as of December 31, 2019:

	Payment due by period			
	Less than 1 year	1 – 2 years	Greater than 2 years	Total
As of December 31, 2018				
Long-term borrowings and interest payables (RMB)	36,560,000	159,548,333	289,673,333	485,781,666

In November 2019, the Company entered into a revolving credit facility with several banks. The credit facility enables the Company to borrow RMB1,200 million to be used for the construction of the Company's office building and innovation center. The credit facility expires in eight years and is guaranteed by Xinjiang Qudian Technology Co., Ltd. and Qufenqi (Ganzhou) Information Technology Co., Ltd. and collateralized by the land-use-right which has a carrying amount of RMB104 million (US$15 million) as of December 31, 2019. Drawdowns from the credit facility will incur interest at a rate equal to the Loan Prime Rate plus 0.295%. The Company is required to comply with certain financial covenants, which has been met as of December 31, 2019. As of December 31, 2018, and 2019, the Company has not drawn down from the credit facility.

11. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Accrued payroll	91,993,195	63,374,911	9,103,236
Tax payables	166,802,584	334,442,889	48,039,715
Payable to suppliers	57,353,842	27,252,968	3,914,644
Payable to external service providers	52,443,595	61,658,863	8,856,742
Payable to funding partner	66,198,839	74,271,550	10,668,441
Others	72,694,382	157,264,521	22,589,634
	507,486,437	718,265,702	103,172,412

12. Guarantee liabilities and risk assurance liabilities

12.1 Guarantee liabilities

The movement of guarantee liabilities are as follows:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Balance at beginning of the year	46,981,325	302,604,578	43,466,428
Fair value of guarantee liabilities upon the inception of new loans	526,265,099	444,177,836	63,802,154
Performed guarantee	(387,234,512)	(1,423,270,618)	(204,440,032)
Change in fair value of guarantee liabilities	116,592,666	939,954,125	135,015,962
Balance at end of the year	302,604,578	263,465,921	37,844,512

As of December 31, 2018 and 2019, the maximum potential undiscounted future payment the Company would be required to make was RMB 10,703 million and RMB 2,223 million (US$ 319 million), respectively. The term of the guarantee is the same as the term of loans facilitated under the arrangements with the Funding Partners, which ranges from 1 month to 4 years, as of December 31, 2019.

12. Guarantee liabilities and risk assurance liabilities - continued

12.2 Risk assurance liabilities

The movement of risk assurance liabilities during 2019 are as follows:

	As of December 31, 2019	
	RMB	US$
Balance at the beginning of the year	—	—
Fair value of risk assurance liabilities upon the inception of new loans	1,711,712,149	245,872,066
Payouts	(660,824,276)	(94,921,468)
Changes in risk assurance liabilities	203,473,526	29,227,143
Balance at end of the year	1,254,361,399	180,177,741

As of December 31, 2018 and 2019, maximum potential undiscounted future payment that the Company would be required to make was RMB nil and RMB 11,916 million (US$1,712 million), respectively. The term of the risk assurance liability is the same as the term of loans facilitated under the arrangements with the Funding Partners, which ranges from 1 month to 18 months, as of December 31, 2019.

13. Convertible senior notes

On July 1, 2019, the Company issued US$300 million convertible senior notes (the "Notes") to several initial purchasers and an additional US$45 million principal amount of the Notes pursuant to the initial purchaser's option to purchase additional Notes. The Notes are senior, unsecured obligations of the Company, and interest is payable semi-annually in cash at a rate of 1.00% per annum on July 1 and January 1 of each year, beginning on January 1, 2020. The Notes will mature on July 1, 2026 unless earlier repurchased, converted, or redeemed prior to such date.

The initial conversion rate of the Notes is 106.2756 of the Company's ADS per US$1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately US$9.41 per ADS) and will be subject to adjustment in certain events but will not be adjusted for accrued and unpaid interest, if any. The conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued and unpaid interest, if any. In addition, following a make-whole fundamental change that occur prior to the maturity date or following the Company's delivery of a notice of tax redemption, the Company will, under certain circumstances, increase the conversion rate for the Notes so surrendered for conversion by a number of additional ADSs. Upon conversion, the Company will be physically settled by delivering to the converting holder a number of ADSs equal to the conversion rate in effect immediately prior to the close of business on the relevant conversion date and pay cash in lieu of any fractional ADS deliverable upon conversion based on the last reported sale price of the ADSs on the relevant conversion date.

The holders may require the Company to repurchase for cash all or any portion of their Notes on July 1, 2022 (the "Repurchase Date") at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the Repurchase Date.

13. Convertible senior notes - continued

The net proceeds from the issuance of the Notes were US$334 million (equivalent to RMB 2,290 million at the exchange rates in July 1, 2019), after deducting underwriting discounts and offering expenses of US$11 million (equivalent to RMB 73 million at the exchange rates in July 1, 2019) from the initial proceeds of US$345 million. The underwriting discounts and offering expenses are amortized at an effective interest rate of 2.07% to accrete the discounted carrying value of the Notes to its face value on July 1, 2022, the repurchase date of the Notes. As of December 31, 2019, the liability was RMB 2,402 million (US$345 million), unamortized debt discount and offering expenses was RMB 62 million (US$9 million), and net carrying amount of the liability was RMB 2,340 million (US$336 million). The liability will be accreted over a remaining period of 2.5 years.

In connection with the issuance of the Notes, the Company purchased the capped call options on the Company's ADS with certain counterparties by using US$28 million from the net proceeds of the Notes Offering to pay the cost of such transactions. A capped call is a call option purchased by the Company with a strike price equal to the conversion price but the settlement price is capped at an amount equal to what would be the strike price of the separate high strike call option.

The purpose of the capped call was to effectively raise the conversion price on the Notes from US$9.4095 (strike price) to US$12.9150 (cap price) per ADS, and mitigate the potential future dilution upon conversion of the Notes.

The cost of the capped call of US$28 million (equivalent to RMB 193 million) was recorded as a reduction of the Company's additional paid-in capital on the consolidated statements of shareholders' equity with no subsequent changes in fair value to be recorded.

14. Cost of other revenues

Cost of other revenues consists of the following:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Interest expenses of borrowings	686,889,761	547,368,755	288,241,857	41,403,352
Other lending related costs	170,060,910	184,417,017	247,530,755	35,555,568
	856,950,671	731,785,772	535,772,612	76,958,920

15. Interest and investment income, net

Interest and investment income, net consists of the following:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Share of loss from equity method investment	(20,676,273)	(11,319,279)	(3,419,825)	(491,227)
Investment income of short-term investments	3,526,506	11,282,694	4,108,597	590,163
Interest income	21,360,670	35,776,919	44,117,299	6,337,053
Interest expense of convertible senior notes	—	—	(23,934,289)	(3,437,946)
	4,210,903	35,740,334	20,871,782	2,998,043

16. Income taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Qu Plus Plus are not subject to tax on income or capital gain arising in Cayman Islands. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of the BVI, Qudian BVI and Qu Plus Plus BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies to their shareholders, no British Virgin Islands withholding tax will be imposed.

Hong Kong

Qudian HK, Qufenqi HK and Qu Plus Plus HK are incorporated in Hong Kong and are subject to Hong Kong profits tax of 16.5% on their activities conducted in Hong Kong.

PRC

The VIEs and their subsidiaries domiciled in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the ''EIT Law''), which was effective since January 1, 2008 except for the following entities eligible for preferential tax rates.

As stipulated by the Taxation Law of PRC, the subsidiaries in Ganzhou are qualified enterprises engaged in industry under the Western Development Strategy and are therefore entitled to preferential tax rate of 15%. Xinjiang Qudian Technology Co., Ltd. is a qualified enterprise engaged in industry as a company established in the special economic development zone and is therefore entitled to an exemption from income tax from January 1, 2017 to December 31, 2020. Qufenqi (Beijing) Information Technology Co., Ltd. is qualified as High and New Technology Enterprise and is subject to the preferential statutory tax rate of 15% for three years from 2018 to 2020. Xiamen Qudian Technology Co., Ltd. is qualified as High and New Technology Enterprise and is subject to a preferential statutory tax rate of 15% for three years from 2019 to 2021.

16. Income taxes - continued

PRC - continued

Dividends, interests, rent or royalties payable by the Company's PRC subsidiaries, to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets) shall be subject to 10% withholding tax, unless the respective non-PRC resident enterprise's jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax.

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, VIEs and subsidiaries of the VIEs, are as follows:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Current income tax expenses	353,218,915	285,682,721	494,121,097	70,976,055
Deferred income tax expenses	(97,672,912)	(127,952,203)	132,112,749	18,976,809
Total income tax expenses	255,546,003	157,730,518	626,233,846	89,952,864

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16. Income taxes - continued

The principal components of the deferred tax assets and liabilities are as follows:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Non-current deferred tax assets			
Allowance for loan principal and financing service fee receivables	307,612,727	451,009,681	64,783,487
Allowance for finance lease receivable	8,002,568	15,561,634	2,235,289
Allowance for other current assets	3,124,847	8,417,241	1,209,061
Guarantee liabilities	30,238,834	211,029,776	30,312,531
Risk assurance liabilities	—	188,154,210	27,026,661
Share-based compensation	13,849,997	27,686,642	3,976,937
Investment loss under equity method	9,200,184	10,055,140	1,444,330
Deferred revenue	5,091,787	—	—
Net operating loss carry forwards	96,242,160	69,462,422	9,977,653
Less: valuation allowance	(229,950,290)	(385,481,892)	(55,371,009)
Total non-current deferred tax assets net of valuation allowance	243,412,814	595,894,854	85,594,940
Net non-current deferred tax assets	243,412,814	290,284,829	41,696,807
Non-current deferred tax liabilities			
Contract assets	—	(411,735,303)	(59,142,076)
Uncollected revenue	—	(72,859,486)	(10,465,610)
Total non-current deferred tax liabilities	—	(484,594,789)	(69,607,686)
Net non-current deferred tax liabilities	—	(178,984,764)	(25,709,553)

The Company operates through its subsidiaries, VIEs and subsidiaries of the VIEs and valuation allowance is considered on an individual entity basis. The Company recorded valuation allowance against deferred tax assets of those entities that were in a three-year cumulative financial loss and are not forecasting profits in the near future as of December 31, 2018 and 2019. In making such determination, the Company also evaluated a variety of factors including the Company's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2018 and 2019, the Company had deferred tax assets related to net operating loss carry forwards of RMB 96,242,160 and RMB 69,462,422 (US$ 9,977,653), respectively, from its subsidiaries, VIEs and subsidiaries of the VIEs registered in the PRC, which can be carried forward to offset taxable income. The net operating losses will expire from years 2021 to 2025 if not utilized.

16. Income taxes - continued

Reconciliation between the income taxes expense computed by applying the PRC tax rate to profit before income taxes and the actual provision for income taxes is as follows:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Profit before income tax	2,420,004,823	2,649,046,731	3,890,521,771	558,838,486
PRC statutory income tax rate	25%	25%	25%	25%
Income tax at statutory tax rate	605,001,206	662,261,683	972,630,443	139,709,622
Effect of different tax rates	(367,422,131)	(574,131,524)	(552,951,519)	(79,426,516)
Exempt income	(2,064,183)	(2,720,020)	(1,625,772)	(233,528)
Expenses not deductible for tax purposes	4,298,559	27,662,307	4,446,637	638,719
Adjustment on current income tax of the previous periods	—	(16,309,757)	2,453,713	352,454
Financial subsidy	(32,929,930)	(31,810,061)	—	—
Deferred only adjustment	—	—	72,206,605	10,371,830
Research and development super-deduction	—	—	(14,587,649)	(2,095,385)
Tax rate change	—	5,200,618	(11,870,214)	(1,705,049)
Changes in valuation allowance	48,662,482	87,577,272	155,531,602	22,340,717
Income tax expenses	255,546,003	157,730,518	626,233,846	89,952,864

As of December 31, 2019, the Company intends to permanently reinvest the undistributed earnings from foreign subsidiaries to fund future operations. As of December 31, 2019, the total amount of undistributed earnings from its PRC subsidiaries as well as VIEs is RMB 9,596 million (US$ 1,378 million). The amount of unrecognized deferred tax liabilities for temporary differences related to investments in foreign subsidiaries is not determined because such a determination is not practicable.

Unrecognized Tax Benefit

As of December 31, 2018 and 2019, the Company had nil unrecognized tax benefit. A roll-forward of unrecognized tax benefits is as follows:

	For the years ended December 31,		
	2018	2019	
	RMB	RMB	US$
Balance at beginning of the year	—	—	—
Additions	74,169,005	54,637,111	7,848,130
Decreases	(74,169,005)	(54,637,111)	(7,848,130)
Balance at end of the year	—	—	—

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16. Income taxes - continued

Unrecognized Tax Benefit - continued

In general, the PRC tax authority has up to five years to conduct examinations of the Company's tax filings. Accordingly, as of December 31, 2019, the tax years ended December 31, 2014 through period ended as of the reporting date for the Company's PRC subsidiaries remain open to examination by the PRC tax authorities.

17. Earnings per share

The following table sets forth the computation of basic earnings per share for the years ended December 31, 2017, 2018 and 2019:

	For the years ended December 31,							
	2017		2018		2019			
	RMB Class A	RMB Class B	RMB Class A	RMB Class B	RMB Class A	US$ Class A	RMB Class B	US$ Class B
Earnings per share – basic:								
Numerator:								
Allocation of net income attributable to Qudian Inc. for basic computation	1,077,159,077	1,087,299,743	1,994,976,030	496,340,183	2,520,194,155	362,003,240	744,093,770	106,882,382
Millions of Shares (denominator):								
Weighted average number of ordinary share outstanding – basic	62.90	63.49	255.19	63.49	215.04	215.04	63.49	63.49
Denominator used for basic earnings per share	62.90	63.49	255.19	63.49	215.04	215.04	63.49	63.49
Earnings per share – basic	**17.13**	**17.13**	**7.82**	**7.82**	**11.72**	**1.68**	**11.72**	**1.68**

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17. Earnings per share - continued

The following table sets forth the computation of diluted earnings per share for the years ended December 31, 2017, 2018 and 2019:

	For the years ended December 31,							
	2017		2018		2019			
	RMB Class A	RMB Class B	RMB Class A	RMB Class B	RMB Class A	US$ Class A	RMB Class B	US$ Class B
Earnings per share – diluted:								
Numerator:								
Interest charges applicable to the Convertible Senior Notes	—	—	—	—	18,876,619	2,711,457	5,057,670	726,489
Allocation of net income attributable to Qudian Inc. for diluted computation	1,714,215,136	450,243,684	2,000,018,251	491,297,962	2,574,495,457	369,803,134	689,792,468	99,082,488
Reallocation of net income attributable to Qudian Inc. as a result of conversion of Class B to Class A shares	450,243,684	—	491,297,962	—	694,850,138	99,808,977	—	—
Allocation of net income attributable to Qudian Inc	2,164,458,820	450,243,684	2,491,316,213	491,297,962	3,288,222,214	472,323,568	694,850,138	99,808,977
Millions of Shares (denominator):								
Weighted average number of ordinary share outstanding– basic	62.90	63.49	255.19	63.49	215.04	215.04	63.49	63.49
Dilutive effect of preferred shares	177.36	—	—	—	—	—	—	—
Conversion of Class B to Class A ordinary shares	63.49	—	63.49	—	63.49	63.49	—	—
Adjustments for dilutive share options	1.47	—	3.28	—	3.45	3.45	—	—
Conversion of the Convertible Senior Notes to Class A ordinary share	—	—	—	—	18.48	18.48	—	—
Denominator used for diluted earnings per share	305.22	63.49	321.96	63.49	300.46	300.46	63.49	63.49
Earnings per share – diluted	**7.09**	**7.09**	**7.74**	**7.74**	**10.94**	**1.57**	**10.94**	**1.57**

17. Earnings per share - continued

The following table sets forth the computation of basic and diluted earnings per ADS for the years ended December 31, 2018 and 2019:

	For the years ended December 31,			
	2017	2018	2019	
	RMB Class A	RMB Class A	RMB Class A	US$ Class A
Earnings per share – ADS:				
Denominator used for earnings per ADS – basic	41.44	113.82	184.70	184.70
Denominator used for earnings per ADS – diluted	41.44	114.99	199.24	199.24
Earnings per ADS – basic	**17.13**	**7.82**	**11.72**	**1.68**
Earnings per ADS – diluted	**7.09**	**7.74**	**10.94**	**1.57**

18. Fair value measurements

Assets and liabilities disclosed at fair value

The Company measures its cash and cash equivalents, restricted cash, time deposits, loan principal and financing service fee receivables, finance lease receivables, convertible senior notes and borrowings at amortized cost. The carrying value of loan principal and financing service fee receivables approximate their fair value due to their short-term nature and are considered a level 3 measurement. The fair value was estimated by discounting the scheduled cash flows through to estimated maturity using estimated discount rates based on current offering rates of comparable institutions with similar services. The carrying value of the Company's debt obligations approximate fair value as the borrowing rates are similar to the market rates that are currently available to the Company for financing obligations with similar terms and credit risks and represent a level 2 measurement. The guarantee liabilities are presented as a level 3 measurement, with fair value estimated by discounting expected future payouts, net charge off rates, expected collection rates and a discount rate for time value.

Assets measured at fair value on a nonrecurring basis

The Company measured its property and equipment, intangible assets and equity method investment at fair value on a nonrecurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. For equity investments without readily determinable fair values for which the Company elected to use the measurement alternative, the equity investment is measured at fair value on a nonrecurring basis when there is an orderly transaction for identical or similar investments of the same issuer. There were no observable price changes for equity investments since the acquisition date.

Assets and liabilities measured at fair value on a recurring basis

The Company measured its guarantee liabilities at fair value on a recurring basis. As the Company's guarantee liabilities are not traded in an active market with readily observable prices, the Company uses significant unobservable inputs to measure the fair value of guarantee liabilities. Guarantee liabilities are categorized in the

18. Fair value measurements - continued

Assets and liabilities measured at fair value on a recurring basis - continued

Level 3 valuation hierarchy based on the significance of unobservable factors in the overall fair value measurement. The Company did not transfer any assets or liabilities in or out of level 3 during the years ended December 31, 2018 and 2019.

The following table summarizes the Company's financial assets and liabilities measured and recorded at fair value on recurring basis as of December 31, 2018 and 2019:

	As of December 31, 2018			
	Active market (Level 1) RMB	Observable input (Level 2) RMB	Non-observable input (Level 3) RMB	Total RMB
Liabilities:				
Guarantee liabilities	—	—	302,604,578	302,604,578

	As of December 31, 2019			
	Active market (Level 1) RMB	Observable input (Level 2) RMB	Non-observable input (Level 3) RMB	Total RMB
Liabilities:				
Guarantee liabilities	—	—	263,465,921	263,465,921

	As of December 31, 2019			
	Active market (Level 1) US$	Observable input (Level 2) US$	Non-observable input (Level 3) US$	Total US$
Liabilities:				
Guarantee liabilities	—	—	37,844,512	37,844,512

At December 31, 2018 and 2019, the discounted cash flow methodology is used to estimate the fair value of guarantee liabilities. The significant unobservable inputs used in the fair value measurement of guarantee liabilities include the discount rate and expected delinquency rates applied in the valuation models. These inputs 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 guarantee liabilities; conversely a decrease in the discount rate can significantly increase the fair value of the guarantee liabilities. The discount rate is determined based on the market rates. Increase in the expected delinquency rates can significantly increase the fair value of guarantee liabilities; conversely a decrease in the expected delinquency rates can significantly decrease the fair value of guarantee liabilities.

18. Fair value measurements - continued

Significant Unobservable Inputs

Financial Liabilities	Unobservable Input	Range of Inputs Weighted - Average As of December 31, 2018	2019
Guarantee liabilities	Discount rates	4.89%	4.35%
	Expected delinquency rates	0.32%-10.47%	7.57%-10.20%

Refer to Note 12 for additional information about Level 3 guarantee liabilities measured at fair value on a recurring basis for the years ended December 31, 2018 and 2019.

19. Related party balances and transactions

Name of related parties	Relationship with the Company
Luo Min	Founder, chief executive officer and controlling shareholder of the Company
Qufenqi Inc.	Ultimate legal holding company of Beijing Happy Time before December 31, 2015
Alipay.com Co., Ltd.	Company controlled by party that has significant influence over the Company before December 8, 2018
Ganzhou QuCampus	Company's equity method investee
Ganzhou Happy Share Capital Management LLP	Company controlled by Founder
Zhima Credit Management Co., Ltd.	Company controlled by party that has significant influence over the Company before December 8, 2018
Chongqing Alibaba Small Loan Co., Ltd.	Company controlled by party that has significant influence over the Company before December 8, 2018
Ant Zhixin (Hangzhou) Information Technology Co., Ltd.	Company controlled by party that has significant influence over the Company before December 8, 2018
Guosheng Financial Holding Inc.	Company controlled by Director before August 24, 2018
Guosheng Securities Asset Management Co., Ltd.	Company controlled by Director before August 24, 2018
Alibaba Cloud Computing Co., Ltd.	Company controlled by the ultimate controlling individual of shareholder before December 8, 2018
Key management and their immediate families	The Company's key management and their immediate families

19. Related party balances and transactions - continued

19.1 Amounts due from related parties

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Short-term amounts due from related parties			
Ganzhou Happy Share Capital Management LLP	2,071	—	—
Total short-term amounts due from related parties	2,071	—	—
Total amounts due from related parties	2,071	—	—

The movement of the loan principal and financing service fee receivables due from key management and their immediate families is as follows:

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Balance at beginning of the year	1,000,000	—	—
Payments	(1,000,000)	—	—
Balance at end of the year	—	—	—

As of December 31, 2018 and 2019, the total outstanding balance, which was due on demand, interest free and uncollateralized due from these related parties, was RMB nil and RMB nil (US$ nil), respectively.

The Company does not plan to enter into similar transactions with related parties in the future.

19. Related party balances and transactions - continued

19.2 Transactions with related parties

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Service income				
Key management and their immediate families	4,551	—	—	—
Cost of revenues				
Alipay.com Co., Ltd.	114,175,547	58,835,038	—	—
Zhima Credit Management Co., Ltd.	21,435,176	9,265,375	—	—
Alibaba Cloud Computing Co., Ltd.	23,173,116	30,297,435	—	—
Chongqing Alibaba Small Loan Co., Ltd.	3,151,324	—	—	—
Ant Zhixin (Hangzhou) Information Technology Co., Ltd.	—	1,095,684	—	—
Guosheng Financial Holding Inc.	56,746,787	42,900,685	—	—
Guosheng Securities Asset Management Co., Ltd.	2,327,277	5,216,614	—	—
	221,009,227	147,610,831	—	—
Sales and marketing				
Zhima Credit Management Co., Ltd.	16,033,107	—	—	—
Alipay.com Co., Ltd.	222,081,862	32,542,281	—	—
	238,114,969	32,542,281	—	—

20. Share-based compensation

Stock options

On December 9, 2016, as a part of the restructuring, the Board of Directors of Qudian Inc. approved the 2016 Equity Incentive Plan (the "2016 Plan"), as well as the cancelation of the 2015 Share Plan and the 2015 Incentive Plan Supplementary Agreement which were approved on December 26, 2015 and May 1, 2016, respectively. During the year ended December 31, 2016, the Company granted a total of 15,299,019 of share options for the ordinary shares of Qudian Inc. under 2016 Plan. The Company granted 12,364,319 share options under the 2016 Plan to the employees as replacement awards for the 2015 plan. All the share options granted under 2016 Plan were vested over 3 to 5 years. The 2016 Plan expires 10 years from the date of the grant.

The Company has set up the Share Based Payment Trust for the purpose of holding options awarded to certain employees and underlying shares before they are exercised as instructed by the employees. Shares options held by Share Based Payment Trust are legally outstanding upon satisfaction of vesting conditions. As of December 31, 2016, 13,865,219 options are held by the trustee of the Share Based Payment Trust.

On May 3, 2017, the Company granted 494,904 options under the 2016 Plan. On August 17, 2017, the Company granted 200,000 options under the 2016 Plan. 20,000 of the options were granted to two independent non-executive directors. 25% of the options will vest upon each subsequent anniversary of the Company's IPO.

20. Share-based compensation - continued

Stock options - continued

On March 12, 2018, the Company granted 998,000 options under the 2016 Plan. On October 1, 2018, the Company granted 20,000 options under the 2016 Plan. On November 30, 2018, the Company granted 10,000 options to one independent non-executive director under the 2016 Plan. On December 20, 2018, the Company granted 2,608,000 options under the 2016 Plan. 25% of the options will vest upon each subsequent anniversary of the engagement date.

On June 14, 2019, the Company granted 60,000 options to three independent non-executive directors under the 2016 Plan. On September 22, 2019, the Company granted 1,992,500 options under the 2016 Plan. On December 25, 2019, the Company granted 1,090,000 options under the 2016 Plan. 25% of the options will vest upon each subsequent anniversary of the engagement date.

For the years ended December 31, 2018 and 2019, the Company estimated the fair value of the options based on the quoted share price at grant date. Due to the options low exercise price, the various assumptions used in the binomial option pricing model will not have a material impact in the calculation of the fair value of the options. For the year ended December 31, 2017, the Company calculated the estimated fair value of the options on the respective grant dates using a binomial option pricing model with assistance from independent valuation firm. Assumptions used to determine the fair value of share options granted during 2017 are summarized in the following table:

	For the year ended December 31, 2017
Risk-free interest rate (%)	1.56 to 2.33
Volatility (%)	50.9 to 52.4
Expected exercise multiple	2.2 to 2.8
Dividend yield	Nil
Expected life (in years)	10
Exercise price	Nil
Fair value of ordinary shares (RMB)	81.94 to 94.22

The Company recognized compensation cost for the share options on a graded vesting basis. The total share-based compensation expenses recognized by the Company for the share option granted were RMB 64,055,851, RMB 57,981,487 and RMB 87,299,053 (US$ 12,539,724) for the years ended December 31, 2017, 2018 and 2019, respectively.

20. Share-based compensation - continued

Stock options - continued

A summary of share option activity under the 2016 Plan for the year ended December 31, 2019 is as follows:

	Number of shares	Weighted average exercise price RMB	Weighted average grant date fair value RMB	Weighted average remaining contractual term Years	Aggregated intrinsic value RMB
Balance, December 31, 2017	15,752,273	—	28.51	8.97	1,358,130,772
Granted	3,636,000	—	53.79		
Exercised	(3,590,783)	—	43.40		
Forfeited	(583,975)	—	67.79		
Balance, December 31, 2018	15,213,515	—	29.53	8.38	424,630,143
Granted	3,142,500	—	44.27		
Exercised	(6,155,477)	—	54.72		
Forfeited	(144,626)	—	83.44		
Balance, December 31, 2019	12,019,912	—	19.87	8.18	578,275,151
Vested and expected to vest as of December 31, 2019	11,636,382	—	36.67	8.18	558,151,921
Exercisable, December 31, 2019	5,784,511	—	28.23	7.16	277,460,467

The aggregate intrinsic value in the table above represents the difference between the Company's closing stock price on the last trading day in 2019 and the exercise price. Total intrinsic value of options exercised for the years ended December 31, 2017, 2018 and 2019 was RMB nil, RMB 155,850,409 and RMB 338,242,304 (US$ 48,585,467) respectively.

As of December 31, 2019, total unrecognized compensation expense relating to unvested share options was RMB 173,853,323 (US$ 24,972,467). The expense is expected to be recognized over a weighted-average period of 3.41 years.

For the years ended December 31, 2017, 2018 and 2019, the Company allocated share-based compensation expense as follows:

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Sales and marketing	1,890,690	5,641,771	4,482,323	643,845
General and administrative	42,848,932	38,586,741	74,311,629	10,674,198
Research and development	19,316,229	13,752,975	8,505,101	1,221,681
	64,055,851	57,981,487	87,299,053	12,539,724

21. Commitments and contingencies

Capital Commitments

The Company's capital commitments relate primarily to commitments in connection with its plan to build an office building and innovation center. Total capital commitments contracted but not yet reflected in the financial statements amounted to RMB 1,156,300,893 (US$ 166,092,231) as of December 31, 2019. All of the commitments relating to the construction will be settled in installments.

Investment Commitment

The Company's investment commitment relates to its equity method investee Ganzhou QuCampus. Refer to Note 8 for additional information.

For information regarding Operating lease commitments, see Note 7.

22. Ordinary shares

On December 9, 2016, the Company's shareholders approved an Amended and Restated Memorandum and Articles of Associations, pursuant to which 577,539,514 shares were authorized as ordinary shares, and 222,460,486 shares were authorized and re-designated into convertible preferred shares with a nominal or par value of US$0.0001 each share. As of December 31, 2016, there were 79,305,191 shares legally outstanding as of December 31, 2016.

On April 28, 2017, the Company's shareholders and the Board of Directors resolved that the Company accepted from Qufenqi Holding Limited the surrender of 15,814,019 of the said issued ordinary shares (the "Surrendered Shares") at no consideration and all the Surrendered Shares were canceled.

Upon completion of the IPO in October 18, 2017, 222,460,486 Class A ordinary shares were issued upon conversion of all convertible preferred shares. Meanwhile, 266,559,398 Class A ordinary shares and 63,491,172 Class B ordinary shares were issued and outstanding. In addition, immediately following the closing of the IPO, the Memorandum and Articles of Association was amended and restated such that the authorized share capital increased to 800,000,000 ordinary shares at a par value of US$0.0001 per share, of which 656,508,828 shares as Class A ordinary shares and 63,491,172 as Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. Upon any transfer of Class B ordinary shares by the holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares would be automatically converted into equal number of Class A ordinary shares.

As of December 31, 2019, there were 200,711,030 and 63,491,172 Class A and Class B ordinary shares issued, 190,238,854 and 63,491,172 Class A and Class B ordinary shares outstanding respectively.

23. Treasury shares

On November 11, 2017, the Board of Directors of the Company authorized a share repurchase program ("Share Repurchase Program"), pursuant to which the Company was authorized to repurchase its own issued and outstanding American depositary shares ("ADSs") up to an aggregate value of US$100 million from the open market, in negotiated transactions off the market, or through other legally permissible means in accordance with applicable securities laws from time to time.

On November 25, 2017, the Board of Directors of the Company authorized an amendment to the Share Repurchase Program by increasing the maximum amount from US$100 million to US$300 million. As of December 31, 2017, the Company had repurchased under the Share Repurchase Program an aggregate of 4,537,115 ADSs, representing 4,537,115 Class A ordinary shares, at an average price of $14.03 per ADS, for US$63,658,143 (RMB 421,164,802).

On December 13, 2018, the Board of Directors of the Company authorized another share repurchase program, pursuant to which the Company was authorized to repurchase its own issued and outstanding ADS up to an aggregate value of US$300 million from the open market, in negotiated transactions off the market, or through other legally permissible means in accordance with applicable securities laws from time to time.

On April 12, 2019, the Company entered into an ADS Repurchase Agreement with Kunlun Group Limited to repurchase an aggregate of 18,173,885 ADSs, representing 18,173,885 Class A ordinary shares, at an average price of $5.678 per ADS, for US$103,191,319 (RMB 693,505,683). All of the shares were repurchased and canceled subsequently.

On August 23, 2019, the Company entered into a forward share repurchase agreement with Citibank, N.A. under which it will repurchase up to US$195 million worth of its outstanding American depositary shares ("ADSs") representing its Class A ordinary shares. The forward share repurchase agreement was completed in October 2019. The Company received 26,169,241 deliveries of ADSs and all of them were cancelled.

As of December 31, 2019, the Company repurchased an aggregate of 82,118,000 ADSs, representing 82,118,000 Class A ordinary shares under the Share Repurchase Program, at an average price of $6.96 per ADS, for US$ 571,768,510 (RMB 3,918,628,666). As of December 31, 2019, 71,645,824 shares were cancelled. The remaining balance of treasury shares represents 10,472,176 Class A ordinary shares, at an average price of $5.01 per ADS, for US$ 52,423,156 (RMB 362,130,324). These shares were recorded at their purchase cost on the consolidated balance sheets and have not been cancelled as of December 31, 2019.

24. Segment reporting

The operations of the Company are organized into two segments, consisting of installment credit services and transaction services. Installment credit services represents traditional online installment credit business, including cash installment credit services and merchandise installment credit services. The Company refers borrowers to the Funding Partners which directly fund the credit drawdowns to the borrowers. For each successful transaction, the Company typically receives a pre-agreed recurring service fee throughout the term of the loans.

The Company derives the results of the segments directly from its internal management reporting system. The CODM measures the performance of each segment based on its operating results and uses these results to evaluate

24. Segment reporting - continued

the performance of, and to allocate resources to, each of the segments. The company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using assets information. The Company does not allocate any share-based compensation expenses to its segments as the CODM does not use this information to measure the performance of the operating segments. As substantially all of the Company's long-lived assets and revenues are located in and derived from the PRC, geographical segments are not presented.

The table below provides a summary of the Company's operating segment results for the years ended December 31, 2017, 2018 and 2019.

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Revenues:				
Installment credit services	4,775,366,052	7,692,342,304	6,640,579,666	953,859,587
– Financing income	*3,642,183,767*	*3,535,275,780*	*3,510,054,957*	*504,187,849*
– Sales commission fee	*797,167,074*	*307,492,444*	*356,811,512*	*51,252,767*
– Penalty fee	*7,922,387*	*28,012,630*	*44,354,000*	*6,371,053*
– Sales income	*26,083,472*	*2,174,788,821*	*431,945,882*	*62,045,144*
– Loan facilitation income	*302,009,352*	*1,618,438,688*	*2,097,593,931*	*301,300,515*
– Post-origination services fee	—	*28,333,941*	*199,819,384*	*28,702,259*
Transaction services	—	—	2,199,463,876	315,933,218
– Transaction services fee	—	—	*2,161,854,715*	*310,531,000*
– Post-origination services fee	—	—	*37,609,161*	*5,402,218*
Total consolidated revenues	**4,775,366,052**	**7,692,342,304**	**8,840,043,542**	**1,269,792,805**
Income from operations:				
Installment credit services	2,485,281,654	2,747,349,633	2,005,858,668	288,123,571
Transaction services	—	—	1,930,195,468	277,255,231
Total segment income from operations	**2,485,281,654**	**2,747,349,633**	**3,936,054,136**	**565,378,802**
Unallocated expenses	(64,055,851)	(57,981,487)	(87,299,053)	(12,539,724)
Total consolidated income from operations	**2,421,225,803**	**2,689,368,146**	**3,848,755,083**	**552,839,078**
Total other expense, net	(1,220,980)	(40,321,415)	41,766,688	5,999,408
Net income before income taxes	**2,420,004,823**	**2,649,046,731**	**3,890,521,771**	**558,838,486**

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 Company's subsidiaries, VIEs and subsidiaries of the VIEs 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.

25. Restricted net assets - continued

Under PRC law, the Company's subsidiaries, VIEs and the subsidiaries of the VIEs 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.

Under PRC regulations, the subsidiaries of the VIEs in the PRC with microloan license are required to provide a statutory reserve, which is appropriated from net income as reported in the Company's statutory accounts. The Company is required to allocate 1.5% of its balance of loan principal to the statutory reserve. The statutory reserves can only be used for specific purposes and not distributable as cash dividends.

Under PRC regulations, the Company's subsidiary in the PRC with a license to provide financing guarantee service is required to provide a statutory reserve, which is appropriated from net income as reported in the Company's statutory accounts. The Company is required to allocate 10% of its after tax profits to the statutory reserve. The statutory reserves can only be used for specific purposes and not distributable as cash dividends.

Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the Board of Directors of the subsidiaries. The PRC entities are also subject to similar statutory reserve 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, were RMB 6,482 million and RMB 6,257 million (US$ 899 million) as of December 31, 2018 and 2019.

26. Condensed financial information of the parent company

The following is the condensed financial information of the Company on a parent company only basis.

Condensed balance sheets

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
ASSETS:			
Current assets:			
Cash and cash equivalents	543,307,703	977,408,741	140,395,981
Short-term amounts due from related parties	2,970,270,234	2,640,126,978	379,230,512
Other current assets	1,715,437	618,772	88,880
Total current assets	**3,515,293,374**	**3,618,154,491**	**519,715,373**

26. Condensed financial information of the parent company - continued

Condensed balance sheets - continued

	As of December 31,		
	2018	2019	
	RMB	RMB	US$
Non-current assets:			
Investments in subsidiaries, VIEs and VIEs' subsidiaries	7,312,249,746	10,666,422,196	1,532,135,683
Total non-current assets	**7,312,249,746**	**10,666,422,196**	**1,532,135,683**
TOTAL ASSETS	**10,827,543,120**	**14,284,576,687**	**2,051,851,056**
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Accrued expenses and other current liabilities	2,536,138	16,524,612	2,373,612
Short-term amounts due to related parties	4,393,726	4,448,876	639,041
Total current liabilities	**6,929,864**	**20,973,488**	**3,012,653**
Non-current liabilities			
Convertible senior notes	**—**	2,339,551,570	336,055,556
Total non-current liabilities	**—**	**2,339,551,570**	**336,055,556**
TOTAL LIABILITIES	**6,929,864**	**2,360,525,058**	**339,068,209**
Commitments and contingencies			
Shareholders' equity			
Class A Ordinary shares (US$0.0001 par value; 656,508,828 shares authorized, 243,425,092 shares issued and 232,952,916 shares outstanding, as of December 31, 2018; 656,508,828 shares authorized, 200,711,030 shares issued and 190,238,854 shares outstanding, as of December 31, 2019)	161,442	131,638	18,908
Class B Ordinary shares (US$0.0001 par value; 63,491,172 shares authorized, 63,491,172 shares issued and outstanding, as of December 31, 2018 and 2019)	43,836	43,836	6,297
Treasury shares	(362,130,324)	(362,130,324)	(52,016,766)
Additional paid-in capital	4,030,410,733	3,967,733,108	569,929,200
Accumulated other comprehensive loss	(44,858,239)	(12,965,166)	(1,862,330)
Retained earnings	7,196,985,808	8,331,238,537	1,196,707,538
Total shareholders' equity	**10,820,613,256**	**11,924,051,629**	**1,712,782,847**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,827,543,120**	**14,284,576,687**	**2,051,851,056**

26. Condensed financial information of the parent company - continued

Condensed statements of comprehensive income

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Share-based compensation expense	(66,522,766)	(55,734,443)	(87,299,053)	(12,539,724)
General and administrative	(7,263,250)	(26,615,449)	(43,146,732)	(6,197,640)
Interest and investment income, net	6,189,009	9,919,513	(10,149,429)	(1,457,874)
Other non-interest income	—	5,701,978	20,498,736	2,944,459
Foreign exchange loss, net	—	(92,089,724)	9,946,070	1,428,664
Share of profit in subsidiaries, VIEs and VIEs' subsidiaries	2,315,454,720	2,549,589,488	3,374,438,333	484,707,738
Net income before income taxes	**2,247,857,713**	**2,390,771,363**	**3,264,287,925**	**468,885,623**
Income tax expense	—	—	—	—
Net income	**2,247,857,713**	**2,390,771,363**	**3,264,287,925**	**468,885,623**
Other comprehensive income				
Foreign currency translation adjustment	(329,387,410)	284,529,171	31,893,073	4,581,153
Total comprehensive income	**1,918,470,303**	**2,675,300,534**	**3,296,180,998**	**473,466,776**

Condensed statements of cash flows

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Cash flows from operating activities:				
Net income	2,247,857,713	2,390,771,363	3,264,287,925	468,885,623
Adjustments to reconcile net income to net cash used in operating activities:				
Share of profit in subsidiaries, VIEs and VIEs' subsidiaries	(2,315,454,720)	(2,549,589,488)	(3,374,438,333)	(484,707,738)
Share-based compensation expense	66,522,766	55,734,443	87,299,053	12,539,724
Amortization of convertible senior notes	—	—	23,934,289	3,437,946
Foreign exchange (income)/loss net	—	92,089,724	(9,946,070)	(1,428,664)
Changes in operating assets and liabilities:				
Receivables from related party	(22,577)	(5,508,535)	(34,551)	(4,963)
Payable to employees	—	—	(2,312,714)	(332,201)
Other current receivables	(4,564,046)	2,848,608	1,096,665	157,526
Other current payables	1,378,058	1,158,081	4,292,086	616,520

26. Condensed financial information of the parent company - continued

Condensed statements of cash flows - continued

	For the years ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US$
Net cash used in operating activities	**(4,282,806)**	**(12,495,804)**	**(5,821,650)**	**(836,227)**
Net cash provided by /(used in) investing activities	**(2,033,240,388)**	**(562,307,977)**	**330,197,330**	**47,429,879**
Net cash provided by/(used in) financing activities	**4,881,181,230**	**(1,410,797,361)**	**9,587,663**	**1,377,182**
Effect of exchange rate changes on cash and cash equivalents	(331,854,326)	17,105,135	100,137,695	14,383,880
Net increase/(decrease) in cash and cash equivalents	**2,511,803,710**	**(1,968,496,007)**	**434,101,038**	**62,354,714**
Cash and cash equivalents at beginning of the year	—	2,511,803,710	543,307,703	78,041,268
Cash and cash equivalents at end of the year	**2,511,803,710**	**543,307,703**	**977,408,741**	**140,395,982**

Basis of presentation

Condensed financial information is used for the presentation of the Company, or the parent company. The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company used the equity method to account for investment in its subsidiaries and VIEs.

The parent company records its investment in its subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323, *Investments-Equity Method and Joint Ventures*. Such investments are presented on the condensed balance sheets as "Investment in subsidiaries and VIEs" and their respective profit or loss as "Equity in profits of subsidiaries and VIEs" on the condensed statements of comprehensive income. Equity method accounting ceases when the carrying amount of the investment, including any additional financial support, in a subsidiary and VIEs is reduced to zero unless the parent company has guaranteed obligations of the subsidiary and VIEs or is otherwise committed to provide further financial support. If the subsidiary and VIEs subsequently reports net income, the parent company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The parent company's condensed financial statements should be read in conjunction with the Company's consolidated financial statements.

27. Subsequent events

In December 2019, novel coronavirus (COVID-19) was first reported to have surfaced in Wuhan, China. Subsequent to December 31, 2019, COVID-19 has spread rapidly to many parts of China and other parts of the world. The epidemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China and elsewhere.

Substantially all of the Company's revenue and workforce are concentrated in China. Consequently, the COVID-19 outbreak may materially adversely affect the Company's financial condition and operating results for 2020, including but not limited to material negative impact to the Company's total revenues, credit drawdowns, proceeds from collection of loan principal and finance lease receivables, additional allowance for loan principal and finance lease receivables, guarantee liabilities, risk assurance liabilities and significant downward adjustments or impairment to the Company's long-term investments. Due to the significant uncertainties surrounding the COVID-19 outbreak, the extent of the business disruption and the related financial impact cannot be reasonably estimated at this time.

In February and March 2019, Xiamen Qudian, our consolidated VIE, entered into two term loans with China Construction Bank with an aggregate principal amount of RMB195.0 million (US$28.0 million). Each term loan has a fixed interest rate of 3.915% per annum and a term of 12 months. As collateral for such borrowings, our subsidiary Qufenqi (HK) Limited deposited US$33.2 million in a bank account designated by China Construction Bank. We receive interest on such deposits at rates ranging from 3.279% to 3.292% per annum. We fully repaid such borrowings by end of March 2020.

In March and April 2020, the Company repurchased convertible senior notes at market price, with a principal amount of US$170,000,000.

Exhibit 2.4

Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

As of December 31, 2019, Qudian Inc. ("Qudian," the "Company," "we," "us," and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
American Depositary Shares (each representing one Class A ordinary share of Qudian)	QD	New York Stock Exchange
Class A ordinary shares of US$0.0001 each (the "Qudian Class A ordinary shares")	N/A	New York Stock Exchange*

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

Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)

General

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.

Our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share and Class B ordinary share of our company has par value of US$0.0001 per share. The respective number of Class A ordinary shares and Class B ordinary shares that had been issued as of December 31, 2019 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2019.

Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. 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 transfer their ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our second amended and restated articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Holders of Class A ordinary shares and Class B ordinary shares will be entitled to the same amount of dividends, if declared.

Voting Rights

In respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes, voting together as one class. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the nominal value of the total issued voting shares of our company present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative. An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our second amended and restated memorandum and articles of association.

Any shareholder entitled to attend and vote at a general meeting of our company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our company or at a class meeting. A proxy need not be a shareholder of our company and shall be entitled to exercise the same powers on behalf of a shareholder which such proxy represents as such shareholder could exercise. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

Conversion.

Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equivalent number of Class A ordinary shares.

Transfer of Ordinary Shares.

Subject to the restrictions contained in our second amended and restated articles of association, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the NYSE, be suspended and the register of members closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register of members closed for more than 30 days in any year as our board may determine.

Liquidation.

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. Any distribution of assets or capital to a holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares.

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares.

The Companies Law and our second amended and restated articles of association permit us to purchase our own shares. In accordance with our second amended and restated articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares.

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

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for and throughout a meeting of shareholders consists of at least one shareholder entitled to vote and present in person or by proxy or (in the case of a shareholder being a corporation) by its duly authorized representative representing not less than one-third of all voting power of our share capital in issue.

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 will in our articles provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See "Where You Can Find More Information."

Changes in Capital

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

However, no alteration contemplated above, or otherwise, may be made to the par value of the Class A ordinary shares or Class B ordinary shares unless an identical alteration is made to the par value of the Class B ordinary shares and Class A ordinary shares, as the case may be.

We may by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve 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. We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We comply with the NYSE rules in lieu of following home country practice. The NYSE rules require that every company listed on the NYSE hold an annual general meeting of shareholders. In addition, our second 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 over 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% of the shares 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 second amended and restated memorandum and articles of association permit indemnification of officers and directors for actions, costs, charges, losses, damages and expenses incurred in their capacities as such unless such losses, actions, costs, charges, expenses 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 second 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 second 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, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our second 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.

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 second amended and restated articles of association provide that shareholders may not approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder 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.

Neither Cayman Islands law nor our second amended and restated articles of association allow our shareholders to requisition a shareholders' meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general 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 second 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 second amended and restated articles of association, directors may be removed by an ordinary resolution of 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 and our second amended and restated articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of two-thirds of our shares voting at a meeting

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 second 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 a special resolution passed at a general meeting 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 second amended and restated memorandum and articles of association may only be amended by a special resolution of shareholders.

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 second 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, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Description of Debt Securities, Warrants and Rights and Other Securities (Items 12.A, 12.B and 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of one Class A ordinary share, deposited with Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of 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 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

Our ADSs are governed by the depositary agreement, a form of which has been attached to the Registration Statement on Form F-6 (File No. 333-220779), as amended, filed with the SEC on October 13, 2017.

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 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. ADSs will be issued through DRS, unless you specifically request certificated ADRs. 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 or cause to be converted 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 under the terms of the deposit agreement into U.S. dollars if it can do so on a practicable basis, and can transfer the U.S. dollars to the United States and will distribute promptly the amount thus received. If the depositary shall determine in its judgment that such conversions or transfers are not possible or lawful or if any government approval or license is needed and cannot be obtained at a reasonable cost within a reasonable period or otherwise sought, 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 or cause the custodian to hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid and such funds will be held for the respective accounts of the ADS holders. It will not invest the foreign currency and it will not be liable for any interest for the respective accounts of the ADS holders.
- 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***. For any ordinary shares we distribute as a dividend or free distribution, either (1) the depositary will distribute additional ADSs representing such ordinary shares or (2) existing ADSs as of the applicable record date will represent rights and interests in the additional ordinary shares distributed, to the extent reasonably practicable and permissible under law, in either case, net of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. 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. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses, and any taxes and governmental charges, 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 as described in the deposit agreement 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 timely 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 practicable to make such elective distribution available to you. 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, the depositary shall having received timely notice as described in the deposit agreement of such distribution by us, consult with us, and we must determine whether it is lawful and reasonably practicable to 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 or reasonably practicable to make the rights available but that it is lawful and reasonably practicable to sell the rights, the depositary will endeavor to sell the rights and in a riskless principal capacity or otherwise, at such place and upon such terms (including public or private sale) as it may deem proper, 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 establish procedures to distribute such rights and enable you to exercise the rights upon your payment of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. The depositary shall not be obliged to make available to you a method to exercise such rights to subscribe for ordinary shares (rather than ADSs).

  U.S. securities laws may restrict transfers and cancelation 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.

  There can be no assurance that you will be given the opportunity to exercise rights on the same terms and conditions as the holders of ordinary shares or be able to exercise such rights.

- ***Other Distributions***. Subject to receipt of timely notice, as described in the deposit agreement, 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 distribute to you anything else we distribute on deposited securities by any means it may deem practicable, upon your payment of applicable fees, charges and expenses incurred by the depositary and taxes and/or other governmental charges. If any of the conditions above are not met, the depositary will endeavor to sell, or cause to be sold, what we distributed and distribute the net proceeds in the same way as it does with cash; or, if it is unable to sell such property, the depositary may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration, such that you may have no rights to or arising from such property.

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 we and/or the depositary determines that it is illegal or not practicable for us or the depositary to make them available to you.

Deposit, Withdrawal and Cancelation

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.

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, to the extent permitted by law.

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 ordinary shares or other deposited securities underlying your ADSs at any meeting at which you are entitled to vote pursuant to any applicable law, the provisions of our second amended and restated memorandum and articles of association, and the provisions of or governing the deposited securities. Otherwise, you could exercise your right to vote directly if you withdraw the ordinary shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the ordinary shares.

If we ask for your instructions and upon timely notice from us by regular, ordinary mail delivery, or by electronic transmission, as described in the deposit agreement, the depositary will notify you of the upcoming meeting at which you are entitled to vote pursuant to any applicable law, the provisions of our second amended and restated memorandum and articles of association, and the provisions of or governing the deposited securities, and arrange to deliver our voting materials to you. The materials will include or reproduce (a) such notice of meeting or solicitation of consents or proxies; (b) a statement that the ADS holders at the close of business on the ADS record date will be entitled, subject to any applicable law, the provisions of our second amended and restated memorandum and articles of association, and the provisions of or governing the deposited securities, to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the ordinary shares or other deposited securities represented by such holder's ADSs; and (c) a brief statement as to the manner in which such instructions 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. Voting instructions may be given only in respect of a number of ADSs representing an integral number of ordinary shares or other deposited securities. For instructions to be valid, the depositary must receive them in writing on or before the date specified. The depositary will try, as far as practical, subject to applicable law and the provisions of our second amended and restated memorandum and articles of association, to vote or to have its agents vote the ordinary shares or other deposited securities (in person or by proxy) 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, there can be no assurance that ADS holders and beneficial owners generally, or any holder or beneficial owner in particular, will be given the opportunity to vote or cause the custodian to vote on the same terms and conditions as the holders of our ordinary shares.

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 you may have no recourse 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 give the depositary notice of any such meeting and details concerning the matters to be voted at least 30 business days in advance of the meeting date.

Compliance with Regulations

Information Requests

Each ADS holder and beneficial owner shall (a) provide such information as we or the depositary may request pursuant to law, including, without limitation, relevant Cayman Islands law, any applicable law of the United States of America, our second amended and restated memorandum and articles of association, any resolutions of our Board of Directors adopted pursuant to our second amended and restated memorandum and articles of association, the requirements of the NYSE, or to any requirements of the DRS, regarding the capacity in which they own or owned ADRs, the identity of any other persons then or previously interested in such ADRs and the nature of such interest, and any other applicable matters, and (b) be bound by and subject to applicable provisions of the laws of the Cayman Islands, our second amended and restated memorandum and articles of association, and the requirements of the NYSE, or pursuant to any requirements of the DRS, to the same extent as if such ADS holder or beneficial owner held ordinary shares directly, in each case irrespective of whether or not they are ADS holders or beneficial owners at the time such request is made.

Disclosure of Interests

Each ADS holder and beneficial owner shall comply with our requests pursuant to Cayman Islands law, the rules and requirements of the NYSE or our second amended and restated memorandum and articles of association, which requests are made to provide information, inter alia, as to the capacity in which such ADS holder or beneficial owner owns ADS and regarding the identity of any other person interested in such ADS and the nature of such interest and various other matters, whether or not they are ADS holders or beneficial owners at the time of such requests.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable, or which become payable, on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register or transfer 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 refund of taxes, reduced rate of withholding at source or other tax benefit obtained for you. Your obligations under this paragraph shall survive any transfer of ADRs, any surrender of ADRs and withdrawal of deposited securities or the termination of the deposit agreement.

Reclassifications, Recapitalizations and Mergers

If we:	Then:
• Change the nominal or par value of our ordinary shares	• The cash, shares or other securities received by the depositary will become deposited securities.
• Reclassify, split up or consolidate any of the deposited securities	• Each ADS will automatically represent its equal share of the new 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	• 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 depositary 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 depositary 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 depositary 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. If any new laws are adopted which would require the deposit agreement to be amended in order to comply therewith, we and the depositary may amend the deposit agreement in accordance with such laws and such amendment may become effective before notice thereof is given to ADS holders.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign, or if we have removed the depositary, and in either case we have not appointed a new depositary within 90 days. In either such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary 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 cancelation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after the date of termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary 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. After such sale, the depositary's only obligations will be to account for the money and other cash. After termination, we shall be discharged from all obligations under the deposit agreement except for our obligations to the depositary thereunder.

Books of Depositary

The depositary will maintain ADS holder records at its depositary 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 us, the ADRs and the deposit agreement.

The depositary will maintain facilities in the Borough of Manhattan, The City of New York to record and process the issuance, cancelation, combination, split-up and transfer of ADRs.

These facilities may be closed at any time or from time to time when such action is deemed necessary or advisable by the depositary in connection with the performance of its duties under the deposit agreement or at our reasonable written request.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary and the Custodian; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary and the custodian. It also limits our liability and the liability of the depositary. The depositary and the custodian:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if any of us or our respective controlling persons or agents are prevented or forbidden from, or subjected to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement and any ADR, by reason of any provision of any present or future law or regulation of the United States or any state thereof, the Cayman Islands or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future, of our second amended and restated memorandum and articles of association or any provision of or governing any deposited securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure);
- are not liable by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our second amended and restated memorandum and articles of association or provisions of or governing deposited securities;
- are not liable for any action or inaction of the depositary, the custodian or us or their or our respective controlling persons or agents in reliance upon the advice of or information from legal counsel, any person presenting ordinary shares for deposit or any other person believed by it in good faith to be competent to give such advice or information;

- 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;
- are not liable for any special, consequential, indirect or punitive damages for any breach of the terms of the deposit agreement, or otherwise;
- 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 or inaction or inaction of any of us or our respective controlling persons or agents in reliance upon the advice of or information from 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; and
- 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 ADS.

The depositary and any of its agents also disclaim any liability (i) 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, (ii) 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, (iii) any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, (iv) for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities, or (v) for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary, provided that in connection with the issue out of which such potential liability arises the depositary performed its obligations without gross negligence or willful misconduct while it acted as depositary.

In addition, the deposit agreement provides that each party to the deposit agreement (including each holder, beneficial owner and holder of interests in the ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any lawsuit or proceeding against the depositary or our company related to our shares, the ADSs or the deposit agreement.

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, split-up, subdivide or combine ADSs, 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 any other matters contemplated in the deposit agreement; and
- compliance with (A) any laws or governmental regulations relating to the execution and delivery of ADRs or ADSs or to the withdrawal or delivery of deposited securities and (B) such reasonable regulations and procedures as the depositary may establish, from time to time, consistent with the deposit agreement and applicable laws, including presentation of transfer documents.

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 determine that 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;
- 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;
- other circumstances specifically contemplated by Section I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time); or
- for any other reason if the depositary or we determine, in good faith, that it is necessary or advisable to prohibit withdrawals.

The depositary shall not knowingly accept for deposit under the deposit agreement any ordinary shares or other deposited securities required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such ordinary shares.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

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 that the DTC participant 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).

Exhibit 4.37

[English Translation]

EQUITY INTEREST PLEDGE AGREEMENT

This Equity Interest Pledge Agreement (this "**Agreement**") is entered into in Xiamen, the People's Republic of China (the "**PRC**" or "**China**") on July 1, 2019 by and among:

Party A: **Xiamen Youxiang Times Technology Co., Ltd.**, a wholly foreign-owned limited liability company established and existing under the laws of the PRC, with its registered address at E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone (the "**Pledgee**").

Party B: **Min Luo**, a PRC citizen, with his identity card number of 362527198302280018;.

Long Xu, a PRC citizen, with his/her identity card number of 610402198310287516.
(Min Luo and Long Xu are referred to collectively as the "**Pledgors**.")

Party C: **Xiamen Qu Plus Plus Technology Development Co., Ltd.**, a limited liability company established and existing under the laws of the PRC, with its registered address at No. 2999, Xi Zhou Road, Tongan District, Xiamen.

In this Agreement, the Pledgee, the Pledgors and Party C may be hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

WHEREAS:

1. Party C is a limited liability company registered in Xiamen, Fujian Province, the PRC. The Pledgors are shareholders of Party C, and the total amount of their capital contribution is RMB 10,000,000. Party C acknowledges the respective rights and obligations of the Pledgors and the Pledgee hereunder and agrees to provide any necessary assistance to register the Pledge Right.

2. The Pledgee is a wholly foreign-owned enterprise registered in Ganzhou, Jiangxi Province, the PRC. The Pledgee and Party C entered into the Exclusive Business Cooperation Agreement on July 1, 2019 (the "**Exclusive Business Cooperation Agreement**"), the Pledgee, the Pledgors and Party C entered into the Exclusive Call Option Agreement on July 1, 2019 (the "**Exclusive Call Option Agreement**"), and the Pledgors executed the Power of Attorney Agreement to authorize the Pledgee on July 1, 2019 (the "**Power of Attorney Agreement**"; together with the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and this Agreement, the "**Control Agreements**").

3. To guarantee the collection by the Pledgee from Party C of all amounts due and payable by Party C, including, without limitation, consulting and service fees, and guarantee the performance by Party C and the Pledgors of other obligations under the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Power of Attorney Agreement and this Agreement, the Pledgors pledge all of their Equity Interest in Party C as security for the obligations under the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Power of Attorney Agreement and this

4. Agreement.

NOW, THEREFORE, through mutual consultation, the Parties agree as follows:

1. Definitions

Unless otherwise provided by this Agreement, the following terms shall have the following meanings:

1.1 "**Pledge Right**" means the security interest granted by the Pledgors to the Pledgee in accordance with Article 2 hereof, i.e. the right of the Pledgee to be repaid in priority out of the proceeds from the conversion, auction or sale of the Equity Interest.

1.2 "**Equity**" or "**Equity Interest**" means all equity interest in Party C lawfully held now and acquired hereafter by the Pledgors as set forth in Article 2.1 hereof.

1.3 "**Pledge Term**" means the term set forth in Article 3 hereof.

1.4 "**Contractual Obligations**" shall mean all obligations of the Pledgors and Party C under the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Power of Attorney Agreement and this Agreement (including, without limitation, the obligation to pay consulting and service fees to the Pledgee when they fall due and payable (whether on the specified due date, by early repayment or otherwise) in accordance with the Exclusive Business Cooperation Agreement).

1.5 "**Secured Indebtedness**" shall mean all direct, indirect and consequential losses and loss of foreseeable profits suffered by the Pledgee due to any Event of Default of the Pledgors and/or Party C. The basis for the amounts of such losses includes, but is not limited to, reasonable business plans and profit forecasts of the Pledgee, and all costs incurred by the Pledgee in connection with its enforcement of the Contractual Obligations against the Pledgors and/or Party C.

1.6 "**Event of Default**" means any of the circumstances set forth in Article 7 hereof.

1.7 "**Notice of Default**" means the notice given by the Pledgee in accordance with this Agreement to declare an Event of Default.

2. Pledge Right

2.1 As security for the prompt and full performance of the Contractual Obligations and the repayment of the Secured Indebtedness by the Pledgors and Party C, the Pledgors hereby pledge their Equity Interest in Party C (including the registered capital of (amount of capital contribution to) Party C currently owned by the Pledgors and all Equity Interest relating thereto, and other registered capital of (amount of capital contribution to) Party C likely to be acquired by the Pledgors hereafter and all Equity Interest relating thereto) ("**Equity**" or "**Equity Interest**") to the Pledgee by means of first priority pledge. As of the date hereof, the Equity Interest used by Party B for pledge is 100% Equity Interest in Party C held by Party B, representing 100% of the registered capital of Party C, i.e. RMB 10,000,000. Min Luo holds 99.9% equity interest in Party C, representing 99.9% of the registered capital of Party C, i.e. RMB9,990,000; Long Xu holds 0.1% equity interest in Party C, representing 0.1% registered capital of Party C, i.e. RMB10,000.

2.2 The Parties understand and agree that the monetary valuation arising from or relating to the Secured Indebtedness shall be a variable and floating valuation until the Settlement Date (as defined below).

2.3 If any of the following events (each an "**Event of Settlement**") occurs, the value of the Secured Indebtedness shall be determined based on the total amount of the Secured Indebtedness that are due, outstanding and payable to the Pledgee immediately prior to or on the date of occurrence of the Event of Settlement (the "**Determined Indebtedness**"):

(a) any other Control Agreement is terminated in accordance with its relevant provisions;

(b) the Event of Default set forth in Article 7 hereof occurs and fails to be resolved, as a result of which the Pledgee gives a Notice of Default to the relevant Pledgors in accordance with Article 7.3;

(c) upon due inquiry, the Pledgee reasonably determines that the Pledgors and/or Party C is insolvent or could potentially be made insolvent; or

(d) any other event that requires the determination of the Secured Indebtedness in accordance with relevant laws of the PRC.

2.4 For the avoidance of doubt, the date on which an Event of Settlement occurs shall be the settlement date (the "**Settlement Date**"). The Pledgee shall have the right, at its option, to realize the Pledge Right in accordance with Article 8 on or after the Settlement Date.

2.5 During the Pledge Term, the Pledgee shall have the right to receive dividends or bonuses with respect to the Equity Interest. The Pledgors may receive dividends or bonuses with respect to the Equity Interest only with the prior written consent of the Pledgee. After the deduction of individual income tax payable by the Pledgors, dividends or bonuses received by the Pledgors with respect to the Equity Interest shall be, as requested by the Pledgee, (1) deposited into an account designated by the Pledgee, placed under the custody of the Pledgee, used to provide security for the Contractual Obligations and first applied towards the satisfaction of the Secured Indebtedness; or (2) unconditionally donated to the Pledgee or the person designated by the Pledgee subject to the laws of the PRC.

2.6 The Pledgors may increase the capital of Party C only with the prior written consent of the Pledgee. Any increase in the capital contributed by the Pledgors to the registered capital of Party C as a result of any capital increase shall also be deemed as the Equity Interest pledged hereunder.

2.7 If Party C is required to be dissolved or liquidated in accordance with the mandatory provisions of the laws of the PRC, after Party C completes dissolution or liquidation procedures in accordance with law, any interests distributed to the Pledgors by Party C in accordance with law shall be, as requested by the Pledgee, (1) deposited into an account designated by the Pledgee, placed under the custody of the Pledgee, used to provide security for the Contractual Obligations and first applied towards the satisfaction of the Secured Indebtedness; or (2) unconditionally donated to the Pledgee or the person designated by the Pledgee subject to the laws of the PRC.

3. Pledge Term

3.1 The Pledge Right shall become effective as of the date on which it is registered with the administrative authority for industry and commerce (the "**Registration Authority**") in the locality of Party C, and the term of the Pledge Right (the "**Pledge Term**") shall terminate until the Contractual Obligations and the Secured Indebtedness, for which the Pledge Right provides security, have been fully performed or repaid. The Parties agree that after the execution of this Agreement, the Pledgors and Party A shall promptly submit an application for the creation and registration of Equity Interest Pledge to the Registration Authority in accordance with the *Measures for the Registration of Equity Pledge with the Administrative Authorities for Industry and Commerce*. The Parties further agree to complete all Equity pledge registration formalities and obtain the registration notice issued by the Registration Authority within fifteen (15) days from the date on which the Registration Authority formally accepts the application for registration of Equity pledge. The Parties jointly acknowledge that, for the purpose of completing Equity pledge registration formalities, the Parties shall submit this Agreement or an Equity pledge contract which is executed in the form requested by the administrative authority for industry and commerce in the locality of Party C and truly reflects the information regarding the Pledge Right hereunder (the "**Pledge Agreement for Industrial and Commercial Registration**") to the administrative authority for industry and commerce. This Agreement shall apply to the matters not mentioned in the Pledge Agreement for Industrial and Commercial Registration. The Pledgors and Party C shall submit all necessary documents and complete all necessary formalities in accordance with the laws and regulations of the PRC and various requirements of the competent administrative authority for industry and commerce to ensure the Pledge Right is registered as soon as practicable after the submission of application.

3.2 During the Pledge Term, if Party C fails to perform the Contractual Obligations or repay the Secured Indebtedness in accordance with provisions, the Pledgee shall have the right, but not the obligation, to dispose of the Pledge Right in accordance with this Agreement.

4. Custody of Equity Records subject to the Pledge Right

4.1 During the Pledge Term set forth herein, the Pledgors shall deliver the original investment certificate and the original shareholder register recording the Pledge Right (and other documents reasonably requested by the Pledgee, including, without limitation, the Pledge Right registration notice issued by the administrative authority for industry and commerce) to the Pledgee for custody within one week from the date on which the Pledge Right is registered and created. The Pledgee shall keep custody of such documents during the entire Pledge Term set forth herein.

5. Representations and Warranties of the Pledgors and Party C

The Pledgors represent and warrant to the Pledgee as follows:

5.1 The Pledgors are the sole legal and beneficial owners of the Equity Interest and shall have lawful, good and full ownership of the Equity Interest, unless subject to the agreements otherwise entered into by the Pledgors and the Pledgee.

5.2 The Pledgee shall have the right to dispose of and transfer the Equity Interest in accordance with this Agreement.

5.3 Except for the Pledge Right, the Pledgors have created no security interest or other encumbrance on the Equity Interest, there is no dispute with respect to the ownership of the Equity Interest, the Equity Interest is not subject to attachment or other legal proceedings, and no similar action is threatened. The Equity Interest may be used for pledge and transfer in accordance with applicable laws.

5.4 The Pledgors' execution of this Agreement and exercise of their rights hereunder or performance of their obligations hereunder will not violate any laws or regulations, any agreements or contracts to which the Pledgors are a party, or any covenants made by the Pledgors to any third party.

5.5 All documents, information, statements and certificates provided by the Pledgors to the Pledgee are accurate, true, complete and valid.

Party C represents and warrants to the Pledgee as follows:

5.6 Party C is a limited liability company registered, incorporated and lawfully existing under the laws of the PRC with independent legal person status; it has full and independent legal status and capacity to execute, deliver and perform this Agreement.

5.7 Upon due execution by Party C, this Agreement constitutes its legal, valid and binding obligations.

5.8 Party C has full internal right and authority to execute and deliver this Agreement and all other documents relating to the transactions contemplated hereby, and has full right and authority to consummate the transactions contemplated hereby.

5.9 There is no material security interest or other encumbrance (including, without limitation, transfer of any intellectual property of Party C or any assets of Party C with value of more than RMB100,000, or encumbrance on any property right or use right of such assets) on the assets owned by Party C, which may affect the rights and interests of the Pledgee in the Equity Interest.

5.10 There are no pending or, to the knowledge of Party C, threatened litigation, arbitration or other legal proceedings before any court or arbitral tribunal with respect to the Equity Interest, Party C or its assets, nor are there pending or, to the knowledge of Party C, threatened administrative procedures or penalty before any governmental or administrative authority with respect to the Equity Interest, Party C or its assets, which will have material or adverse effect on the economic condition of Party C or the Pledgors' ability to perform their obligations and guarantee liability hereunder.

5.11 Party C hereby agrees to bear joint and several liability to the Pledgee for the representations and warranties made by the Pledgors hereunder.

5.12 Party C hereby warrants to the Pledgee that the foregoing representations and warranties will remain true and correct and be fully complied with under any circumstances at any time prior to full performance of the Contractual Obligations or full satisfaction of the Secured Indebtedness.

6. Covenants and Further Agreements of the Pledgors and Party C

The Pledgors covenant and further agree as follows:

6.1 During the validity term hereof, the Pledgors hereby covenant to the Pledgee that:

6.1.1 except for the performance of the Exclusive Call Option Agreement entered into by the Pledgors, the Pledgee and Party C on July 1, 2019, without the prior written consent of the Pledgee, the Pledgors shall not transfer, or agree to others' transfer of, all or any part of the Equity Interest, create or permit to be created any security interest or other encumbrance which may affect the rights and interests of the Pledgee in the Equity Interest;

6.1.2 the Pledgors shall comply with all laws and regulations applicable to the pledge of rights, show any notice, order or recommendation issued or prepared by relevant competent authorities (or any other relevant authority) in connection with the Pledge Right to the Pledgee within 5 days after the receipt of the same, and observe such notice, order or recommendation or make objections and statements with respect to such matters as reasonably requested by the Pledgee or upon approval of the Pledgee;

6.1.3 the Pledgors shall promptly notify the Pledgee of any event or notice received by the Pledgors which may have effect on the Pledgee's rights in the Equity Interest or any part thereof, together with any event or notice received by the Pledgors which may have effect on any warranty and other obligations of the Pledgors arising out of this Agreement.

6.2 The Pledgors agree that the Pledge Right acquired by the Pledgee in accordance with this Agreement shall not be suspended or prejudiced by the Pledgors or any of their successors or representatives or any other person through legal proceedings.

6.3 To protect or perfect the security interest granted hereunder, the Pledgors hereby covenant to execute in good faith and cause other parties who have interest in the Pledge Right to execute all certificates, agreements, deeds and/or covenants requested by the Pledgee. The Pledgors also covenant to do and cause other parties who have interest in the Pledge Right to do acts requested by the Pledgee, facilitate the exercise by the Pledgee of the rights and authority granted to it by this Agreement, and enter into all relevant documents regarding the ownership of the Equity Interest with the Pledgee or its designees (natural persons/legal persons). The Pledgors covenant to provide the Pledgee with all notices, orders and decisions requested by the Pledgee in connection with the Pledge Right during a reasonable period.

6.4 The Pledgors hereby covenant to the Pledgee that they will comply with and perform all warranties, covenants, agreements, representations and conditions hereunder. In the event of failure to perform or partial performance of their warranties, covenants, agreements, representations and conditions, the Pledgors shall indemnify the Pledgee for all losses caused thereby.

6.5 If any compulsory measures are imposed on the Equity Interest pledged hereunder by court or other governmental authorities due to any reason, the Pledgors shall use all endeavors, including, without limitation, provision of other warranties to the court or adoption of other measures, to release such compulsory measures taken by court or other authorities with respect to the Equity Interest.

6.6 If any possible decrease in the value of the Equity Interest is enough to prejudice the rights of the Pledgee, the Pledgee may request the Pledgors to provide additional mortgage or security; if the Pledgors fail to provide the same, the Pledgee may auction or sell the Equity Interest at any time and use the proceeds from such auction or sale for early satisfaction of the Secured Indebtedness or deposit; any costs arising therefrom shall be fully borne by the Pledgors.

6.7 Without the prior written consent of the Pledgee, the Pledgors and/or Party C shall not (or assist others to) increase, decrease or transfer the registered capital of Party C (or amount of capital contribution to Party C) or create any encumbrance thereon (including the Equity Interest). Subject to the foregoing, the Equity Interest in Party C registered and acquired by the Pledgors after the date hereof shall be referred to as the "Additional Equity." Immediately after the Pledgors acquire the Additional Equity, the Pledgors and Party C shall enter into a supplementary Equity pledge agreement with the Pledgee with respect to the Additional Equity, cause the board of directors and the shareholders' meeting of Party C to approve such supplementary Equity pledge agreement and deliver to the Pledgee all documents required by the supplementary Equity pledge agreement, including, without limitation, (a) the original investment certificate issued by Party C in connection with the Additional Equity; and (b) a certified copy of the capital verification report on the Additional Equity issued by a certified public accountant of the PRC. The Pledgors and Party C shall create and register the pledge of the Additional Equity in accordance with Article 3.1 hereof.

6.8 Unless the Pledgee gives prior written instructions to the contrary, the Pledgors and/or Party C agrees that if all or any part of the shares are transferred (split or inherited) between the Pledgors and any third Party (the "**Share Transferee**") in violation of this Agreement, the Pledgors and/or Party C shall ensure that the Share Transferee shall unconditionally acknowledge the Pledge Right and complete necessary pledge change registration formalities (including, without limitation, execution of relevant documents) to procure the existence of the Pledge Right.

6.9 If the Pledgee provides any loan to Party C, the Pledgors and/or Party C agrees to pledge the Equity Interest to grant the Pledge Right to the Pledgee so as to provide security for such further loan and complete relevant formalities as soon as practicable in accordance with requirements of laws, regulations or local practices (if any), including, without limitation, execution of relevant documents and completion of relevant pledge creation (or change) registration formalities.

Party C covenants and further agrees as follows:

6.10 If the execution and performance of this Agreement and the Equity pledge hereunder require consent, permit, waiver or authorization of any third party or approval, permit or exemption of any governmental authority or completion of registration or filing formalities with any governmental authority (if required by law), Party C will endeavor to assist in obtaining and keeping them fully valid during the validity term hereof.

6.11 Without the prior written consent of the Pledgee, Party C shall not assist or permit the Pledgors to create any new pledge or grant any other security interest on the Equity Interest, nor shall it assist or permit the Pledgors to transfer the Equity Interest.

6.12 Party C agrees that it and the Pledgors shall jointly and strictly comply with the obligations under Articles 6.7, 6.8 and 6.9 hereof.

6.13 Without the prior written consent of the Pledgee, Party C shall not transfer its assets, create or permit to be created any security interest or other encumbrance (including, without limitation, transfer of any intellectual property of Party C or any assets of Party C with value of more than RMB100,000, or encumbrance on any property right or use right of such assets) on its assets which may affect the rights and interests of the Pledgee in the Equity Interest.

6.14 If there is any lawsuit, arbitration or other claims likely to have adverse effect on Party C, the Equity Interest or the interests of the Pledgee under the Control Agreements, Party C warrants that it will notify the Pledgee in writing as soon as possible without delay and take all necessary measures as reasonably requested by the Pledgee to ensure the Pledgee's pledge interests in the Equity Interest.

6.15 Party C will not do or permit to be done any act or action likely to have adverse effect on the interests of the Pledgee under the Control Agreements or the Equity Interest.

6.16 During the first month of each calendar quarter, Party C will provide the Pledgee with the financial statements of Party C for the preceding calendar quarter, including, without limitation, balance sheet, income statement and cash flow statement.

6.17 Party C warrants that it will take all necessary measures and execute all necessary documents as reasonably requested by the Pledgee to ensure the Pledgee's pledge interests in the Equity Interest together with the exercise and realization by the Pledgee of such interests.

6.18 If the exercise of the Pledge Right hereunder results in the transfer of any Equity Interest, Party C warrants that it will take all measures to complete such transfer.

6.19 Party B shall ensure and cause the other shareholders of Party C to ensure that Party C will complete the operation term extension registration formalities within three (3) months prior to the expiration of its operation term so that the validity of this Agreement shall be maintained.

7. Events of Default

7.1 The following circumstances shall be deemed as Events of Default:

7.1.1 Party C fails to fully pay consulting and service fees payable under the Exclusive Business Cooperation Agreement or fails to repay loan or violates any obligations of Party C under the Control Agreements;

7.1.2 any representation or warranty made by the Pledgors in Article 5 hereof contains material misrepresentations or errors, and/or the Pledgors violate any warranty contained in Article 5 hereof;

7.1.3 the Pledgors and Party C fail to complete Equity pledge registration with the Registration Authority in accordance with Article 3.1;

7.1.4 the Pledgors and Party C violate any provision of this Agreement;

7.1.5 unless specified by Article 6.1.1, the Pledgors transfer or intend to transfer or waive the pledged Equity or convey the pledged Equity without the written consent of the Pledgee;

7.1.6 loans, warranties, damages, covenants or other debts and liabilities owed by the Pledgors to any third party (1) are required to be early repaid or performed due to breach by the Pledgors; or (2) have become due but cannot be repaid or performed on schedule;

7.1.7 any approval, license, permit or authorization of the governmental authority that makes this Agreement enforceable, legal and valid is revoked, suspended, invalid or materially changed;

7.1.8 the promulgation of applicable laws makes this Agreement illegal or the Pledgors unable to continue the performance of their obligations hereunder;

7.1.9 adverse change in the property owned by the Pledgors causes the Pledgee to determine that the ability of the Pledgors to perform their obligations hereunder has been affected;

7.1.10 the successor or trustee of Party C can only perform the payment liability in part or refuses to perform the payment liability under the Exclusive Business Cooperation Agreement; and

7.1.11 any other circumstance under which the Pledgee cannot or may be unable to exercise the Pledge Right, including, without limitation, the circumstances under which the Pledgors are dead or lose civil capacity.

7.2 Upon knowledge or discovery of any circumstance set forth in Article 7.1 or the occurrence of any event that may lead to such circumstance, the Pledgors shall promptly notify the Pledgee in writing accordingly.

7.3 Unless the Events of Default set forth in Article 7.1 have been successfully resolved to the satisfaction of the Pledgee within thirty (30) days after the date of notice from the Pledgee, the Pledgee may give a Notice of Default to the Pledgors when an Event of Default occurs or at any time after the occurrence of an Event of Default, requesting the Pledgors to promptly pay all outstanding amounts due and payable under the Control Agreements and all other amounts due and payable to the Pledgee and/or repay loan and/or dispose of the Pledge Right in accordance with Article 8 hereof.

8. Exercise of the Pledge Right

8.1 Without the written consent of the Pledgee, the Pledgors shall not transfer their Equity Interest in Party C.

8.2 When the Pledgee exercises the Pledge Right, it may give a Notice of Default to the Pledgors.

8.3 Subject to the provisions of Article 7.3, the Pledgee may exercise the right to enforce the Pledge Right when it gives a Notice of Default or at any time after it gives a Notice of Default in accordance with Article 7.2. Once the Pledgee elects to enforce the Pledge Right, the Pledgors shall have no rights or interests in the Equity Interest.

8.4 In the event of default, to the extent permitted, and in accordance with applicable laws, the Pledgee shall have the right to dispose of the pledged Equity and exercise all of its remedies and rights for breach of contract in accordance with law, including, without limitation, the right to be repaid in priority out of the proceeds from the conversion, auction or sale of the pledged Equity. After all proceeds received by the Pledgee from the exercise of the Pledge Right are used to satisfy the Secured Indebtedness, any remaining amount shall be paid to the Pledgors or the persons entitled to it (without any interest accrued thereon). The Pledgee shall not be liable for any loss caused by its reasonable exercise of its remedies and rights for breach of contract. The Pledgee shall have the right, at its option, to exercise any of its remedies for breach of contract simultaneously or successively. The Pledgee shall not be required to exercise other remedies for breach of contract before its exercise of the right to be repaid in priority out of the proceeds from the conversion, auction or sale of the pledged Equity hereunder.

8.5 When the Pledgee disposes of the Pledge Right in accordance with this Agreement, the Pledgors and Party C shall provide necessary assistance so that the Pledgee can enforce the Pledge Right in accordance with this Agreement.

8.6 All out-of-pocket expenses, taxes and all legal costs relating to the creation of the Equity pledge and the realization of the Pledgee's rights hereunder shall be borne by the Pledgors, except for those borne by the Pledgee in accordance with laws. The Pledgee shall have the right to fully deduct reasonable costs incurred by it in connection with its exercise of any or all of its foregoing rights and powers from the proceeds obtained as a result of its exercise of such rights and powers.

8.7 The Parties acknowledge that the Investor Shareholders shall be liable only for their own breach of contract and shall bear no joint and several liability for breach by any other Party hereto.

9. Assignment

9.1 Without the prior written consent of the Pledgee, the Pledgors shall have no right to assign or delegate their rights and obligations hereunder.

9.2 This Agreement shall be binding upon the Pledgors and their successors and permitted assignees and shall be valid with respect to the Pledgee and each of its successors and assignees.

9.3 At any time, the Pledgee may assign any and all of its rights and obligations under the Exclusive Business Cooperation Agreement to its designees (natural persons/legal persons), in which case the assignees shall have the rights and obligations of the Pledgee hereunder, as if they were the original Parties hereto. When the Pledgee assigns its rights and obligations under the Exclusive Business Cooperation Agreement, upon request by the Pledgee, the Pledgors shall execute relevant agreements or other documents in connection with such assignment.

9.4 In the event of change of the Pledgee due to assignment, upon request by the Pledgee, the Pledgors shall enter into a new pledge contract with the new Pledgee on the same terms and conditions as those of this Agreement.

9.5 The Pledgors shall strictly comply with the provisions of this Agreement and other contracts jointly or severally executed by the Parties hereto or any of them, including the Exclusive Call Option Agreement and the Power of Attorney Agreement to authorize the Pledgee, perform the obligations hereunder and thereunder and refrain from any act/omission that may affect the validity and enforceability hereof and thereof. The Pledgors shall not exercise any remaining rights in the Equity Interest pledged hereunder unless in accordance with the written instructions given by the Pledgee.

10. Termination

After the Exclusive Business Cooperation Agreement has been fully performed, the consulting and service fees thereunder have been fully paid and the obligations of Party C under the other Control Agreements have been terminated, this Agreement shall terminate and the Pledgee shall cancel or terminate this Agreement as soon as reasonably practicable.

Unless otherwise provided by laws, in no event shall the Pledgors or Party C have the right to terminate or rescind this Agreement.

11. Handling Fee and Other Expenses

All fees and out-of-pocket expenses relating to this Agreement, including, without limitation, attorneys' fee, costs of production, stamp duty and any other tax and fee, shall be borne by Party C. If the Pledgee is required to bear relevant taxes and fees by applicable laws, the Pledgors shall cause Party C to fully reimburse all taxes and fees already paid by the Pledgee.

12. Confidentiality Liability

The Parties acknowledge that any oral or written information exchanged in connection with this Agreement shall be considered as confidential information. Each Party shall keep all such information confidential and shall not disclose any relevant information to any third party without the written consent of the other Parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's disclosure to the public); (b) is required to be disclosed in accordance with applicable laws or rules or provisions of any stock exchange; or (c) is required to be disclosed by any Party to its legal counsels or financial advisors in connection with the transactions contemplated hereby, provided, however, that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this article. If the staff or agencies engaged by any Party disclose any confidential information, such Party shall be deemed to have disclosed such confidential information and shall bear legal liability for breach of this Agreement. This article shall survive the termination of this Agreement for any reason.

13. Governing Law and Dispute Resolution

13.1 The execution, effectiveness, interpretation and performance of this Agreement and resolution of disputes arising hereunder shall be governed by officially promulgated and publicly available laws of the PRC. Any matters not covered by officially promulgated and publicly available laws of the PRC shall be governed by international legal principles and practices.

13.2 Any dispute arising from the interpretation and performance of the provisions of this Agreement shall be resolved by the Parties through consultation in good faith. If the Parties fail to agree upon the resolution of a dispute within 30 days after any Party requests to resolve such dispute through consultation, any Party may submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the Commission's arbitration rules then in effect. The arbitration shall be held in Beijing and conducted in the Chinese language. The arbitral award shall be final and binding upon the Parties.

13.3 In the event of any dispute arising out of the interpretation and performance of this Agreement or during the pending arbitration of any dispute, except for the matters in dispute, the Parties hereto shall continue to exercise their respective rights hereunder and perform their respective obligations hereunder.

14. Notices

14.1 All notices and other communications required or permitted to be given in accordance with this Agreement shall be personally delivered or sent by registered mail, postage prepaid, commercial courier service or facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which such notices shall be deemed to have been effectively given shall be determined as follows:

14.1.1 Notices given by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the mailing address specified for notices.

14.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

14.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Xiamen Youxiang Times Technology Co., Ltd.
Address: E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone
Attention: Zhentao Liu
Telephone: 86-17310632963

Party B:

Min Luo
Address: 39th Floor, AVIC Zijin Plaza, Huan Dao Dong Road 1801, Siming District, Xiamen
Attention: Min Luo
Telephone: 86-17602141092

Long Xu
Address: 39th Floor, AVIC Zijin Plaza, Huan Dao Dong Road 1801, Siming District, Xiamen
Attention: Long Xu
Telephone: 86-17602141092

Party C:

Xiamen Qu Plus Plus Technology Development Co., Ltd.,
Address: No. 2999, Xi Zhou Road, Tongan District, Xiamen
Attention: Long Xu
Telephone: 86-17602141092

14.3 Any Party may change its mailing address for notices at any time by giving a notice to the other Parties in accordance with this article.

15. Severability

If one or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any respect in accordance with any law or regulation, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or prejudiced in any respect. The Parties shall strive through consultation in good faith to replace such invalid, illegal or unenforceable provisions with valid provisions to the greatest extent permitted by laws and expected by the Parties, and the economic effect of such valid provisions shall be as close as possible to the economic effect of such invalid, illegal or unenforceable provisions.

16. Appendix

The appendix hereto shall constitute an integral part of this Agreement.

17. Effectiveness

17.1 Any amendment, modification and supplement to this Agreement shall be made in writing and become effective after the Parties affix their signatures or seals and complete governmental registration procedures, if applicable.

17.2 This Agreement is made in five (5) counterparts. Each of the Pledgors, Party C and the Pledgees, Min Luo and Long Xu, shall hold one (1) copy. One (1) copy shall be submitted to the Registration Authority. Each copy of this Agreement shall have the same effect.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first written above.

Party A: Xiamen Youxiang Times Technology Co., Ltd. (Affix Company Seal)
(Seal)

By: _____
Name: Zhentao Liu

Party B: Min Luo

By: /s/ Min Luo
Name: Min Luo

Party B: Long Xu

By: /s/ Long Xu
Name: Long Xu

Party C: Xiamen Qu Plus Plus Technology Development Co., Ltd., (Affix Company Seal)
(Seal)

By: _____
Name: Long Xu

Exhibit 4.38

[English Translation]

Power of Attorney Agreement

Date: July 1, 2019

I, **Min Luo**, a citizen of the People's Republic of China (the "**PRC**"), with identity card number of 362527198302280018, holds 99.9% of the entire registered capital ("**My Equity Interest**") of **Xiamen Qu Plus Plus Technology Development Co., Ltd.,** (the "**Domestic Company**"). I hereby issue this Power of Attorney Agreement to specify the following matters concerning My Equity Interest:

1. I irrevocably authorize **Xiamen Youxiang Times Technology Co., Ltd.** (the "**WFOE**") to exercise the following rights during the term of this Power of Attorney Agreement:

The WFOE is hereby authorized to act as my sole agent and authorized representative to act on my behalf with respect to all matters relating to My Equity Interest, including, without limitation: (1) to propose, convene and attend the shareholders' meeting of the Domestic Company; (2) to exercise all shareholder rights and voting rights available to me under the laws of the PRC and the articles of association of the Domestic Company, including, without limitation, the right to sell, transfer, pledge or dispose of all or a part of My Equity Interest; and (3) to nominate and appoint the legal representative (chairman of the board of directors), directors, supervisors, chief executive officer (or manager) and other senior officers of the Domestic Company on my behalf.

2. Without limiting the generality of the power granted hereunder, the WFOE shall have the right and authority hereunder to enter into the relevant transfer contract set forth in the Exclusive Call Option Agreement on my behalf to the extent that I am required to be a party thereto, and perform the terms of the Equity Interest Pledge Agreement and the Exclusive Call Option Agreement, dated even date herewith, to which I am a party or execute any documents required to be executed thereunder.

3. Without limiting the generality of the power granted hereunder, I irrevocably acknowledge, agree and authorize that the WFOE may decide, at its sole and absolute discretion and on an exclusive basis, the disposal of My Equity Interest, including, without limitation, sale, transfer, grant, offer, pledge, creation of encumbrance over, exchange or other disposal of My Equity Interest to a third party designated by the WFOE (similarly hereinafter), as required in specific circumstances and based on the ordinary resolutions of its board of directors, and such decisions made by the WFOE pursuant to the power hereunder shall be legally binding upon me and My Equity Interest. For this purpose, I acknowledge and agree that the WFOE shall: (1) enter into documents required for the disposal of My Equity Interest decided by the WFOE, including, without limitation, sale agreements, transfer agreements, and resolutions of the Domestic Company, (2) cause such members of the board of directors and authorized representatives to the shareholders' meeting as recommended or appointed by me to cast affirmative votes at the meetings of the board of directors and/or shareholders' meeting of the Domestic Company relating to the disposal of My Equity Interest decided by the WFOE, or to execute and adopt the relevant resolutions of the board of directors or shareholders' meeting of the Domestic Company; (3) be hereby irrevocably authorized as my agent to execute all such necessary documents on my behalf, in which case such documents executed by the WFOE on my behalf shall be legally binding upon me; (4) take all other steps necessary or advisable for the disposal of My Equity Interest decided by the WFOE, including, without limitation, to issue, execute, deliver and/or submit to governmental authorities or third parties documents, agreements, certificates or statements, to assist the Domestic Company, the WFOE and third parties to obtain all governmental approvals, permissions, licenses, registrations and filings required for the implementation of such disposal of My Equity Interest, and to provide other cooperation and convenience, in order for such disposal to be promptly and validly implemented to the extent that it involves the rights and obligations of the parties.

4. The WFOE shall have the right to delegate or assign, at its own discretion, its rights relating to the matters above to any other individual or entity without the prior notice to or the prior consent of me.

5. As long as I am a shareholder of the Domestic Shareholder, this Power of Attorney Agreement shall be irrevocable and continue in force as from the date hereof, unless the contrary is indicated by the WFOE in writing. Once the WFOE notifies me in writing to terminate this Power of Attorney Agreement in whole or in part, I shall immediately withdraw all mandates and authorities hereby granted to the WFOE above, and immediately execute a power of attorney agreement in the same form as this Power of Attorney Agreement to grant to another person nominated by the WFOE the same authorities and mandates as granted hereunder.

6. This Power of Attorney Agreement shall be binding upon my successors and assignees, and I shall cause my successors or assignees, if applicable, to execute similar power of attorney agreement.

7. I hereby waive, and shall not exercise, all rights granted to the WFOE relating to My Equity Interest hereunder during the term of this Power of Attorney Agreement.

[The remainder of this page is intentionally left blank.]

Principal: Min Luo

By: /s/ Min Luo
Name: Min Luo

Agent: Xiamen Youxiang Times Technology Co., Ltd.
(Affix Company Seal)

(Seal)

By: _____
Name: Zhentao Liu

Exhibit 4.39

[English Translation]

Power Of Attorney Agreement

Date: July 1, 2019

I, **Long Xu**, a citizen of the People's Republic of China (the "**PRC**"), with identity card number of 610402198310287516, holds 0.1% of the entire registered capital ("**My Equity Interest**") of **Xiamen Qu Plus Plus Technology Development Co., Ltd.,** (the "**Domestic Company**"). I hereby issue this Power of Attorney Agreement to specify the following matters concerning My Equity Interest:

1. I irrevocably authorize **Xiamen Youxiang Times Technology Co., Ltd.** (the "**WFOE**") to exercise the following rights during the term of this Power of Attorney Agreement:

The WFOE is hereby authorized to act as my sole agent and authorized representative to act on my behalf with respect to all matters relating to My Equity Interest, including, without limitation: (1) to propose, convene and attend the shareholders' meeting of the Domestic Company; (2) to exercise all shareholder rights and voting rights available to me under the laws of the PRC and the articles of association of the Domestic Company, including, without limitation, the right to sell, transfer, pledge or dispose of all or a part of My Equity Interest; and (3) to nominate and appoint the legal representative (chairman of the board of directors), directors, supervisors, chief executive officer (or manager) and other senior officers of the Domestic Company on my behalf .

2. Without limiting the generality of the power granted hereunder, the WFOE shall have the right and authority hereunder to enter into the relevant transfer contract set forth in the Exclusive Call Option Agreement on my behalf to the extent that I am required to be a party thereto, and perform the terms of the Equity Interest Pledge Agreement and the Exclusive Call Option Agreement, dated even date herewith, to which I am a party or execute any documents required to be executed thereunder.

3. Without limiting the generality of the power granted hereunder, I irrevocably acknowledge, agree and authorize that the WFOE may decide, at its sole and absolute discretion and on an exclusive basis, the disposal of My Equity Interest, including, without limitation, sale, transfer, grant, offer, pledge, creation of encumbrance over, exchange or other disposal of My Equity Interest to a third party designated by the WFOE (similarly hereinafter), as required in specific circumstances and based on the ordinary resolutions of its board of directors, and such decisions made by the WFOE pursuant to the power hereunder shall be legally binding upon me and My Equity Interest. For this purpose, I acknowledge and agree that the WFOE shall: (1) enter into documents required for the disposal of My Equity Interest decided by the WFOE, including, without limitation, sale agreements, transfer agreements, and resolutions of the Domestic Company, (2) cause such members of the board of directors and authorized representatives to the shareholders' meeting as recommended or appointed by me to cast affirmative votes at the meetings of the board of directors and/or shareholders' meeting of the Domestic Company relating to the disposal of My Equity Interest decided by the WFOE, or to execute and adopt the relevant resolutions of the board of directors or shareholders' meeting of the Domestic Company; (3) be Ehereby irrevocably authorized as my agent to execute all such necessary documents on my behalf, in which case such documents executed by the WFOE on my behalf shall be legally binding upon me; (4) take all other steps necessary or advisable for the disposal of My Equity Interest decided by the WFOE, including, without limitation, to issue, execute, deliver and/or submit to governmental authorities or third parties documents, agreements, certificates or statements, to assist the Domestic Company, the WFOE and third parties to obtain all governmental approvals, permissions, licenses, registrations and filings required for the implementation of such disposal of My Equity Interest, and to provide other cooperation and convenience, in order for such disposal to be promptly and validly implemented to the extent that it involves the rights and obligations of the parties.

4. The WFOE shall have the right to delegate or assign, at its own discretion, its rights relating to the matters above to any other individual or entity without the prior notice to or the prior consent of me.

5. As long as I am a shareholder of the Domestic Shareholder, this Power of Attorney Agreement shall be irrevocable and continue in force as from the date hereof, unless the contrary is indicated by the WFOE in writing. Once the WFOE notifies me in writing to terminate this Power of Attorney Agreement in whole or in part, I shall immediately withdraw all mandates and authorities hereby granted to the WFOE above, and immediately execute a power of attorney agreement in the same form as this Power of Attorney Agreement to grant to another person nominated by the WFOE the same authorities and mandates as granted hereunder.

6. This Power of Attorney Agreement shall be binding upon my successors and assignees, and I shall cause my successors or assignees, if applicable, to execute similar power of attorney agreement.

7. I hereby waive, and shall not exercise, all rights granted to the WFOE relating to My Equity Interest hereunder during the term of this Power of Attorney Agreement.

[The remainder of this page is intentionally left blank.]

Principal: Long Xu

By: /s/ Long Xu
Name: Long Xu

Agent: Xiamen Youxiang Times Technology Co., Ltd.
(Affix Company Seal)

(Seal)

By: _____
Name: Zhentao Liu

Exhibit 4.40

[English Translation]

EXCLUSIVE BUSINESS COOPERATION AGREEMENT

This Exclusive Business Cooperation Agreement (this "**Agreement**") is entered into in Xiamen, the People's Republic of China (the "**PRC**" or "**China**") on July 1, 2019 by and between:

Party A: **Xiamen Youxiang Times Technology Co., Ltd.**
Address: A wholly foreign-owned limited liability company duly incorporated under the law of PRC. The registered address is E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone.

Party B: **Xiamen Qu Plus Plus Technology Development Co., Ltd.,**
Address: No. 2999, Xi Zhou Road, Tongan District, Xiamen.

Party A and Party B are hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

WHEREAS:

1. Party A is a wholly foreign-owned company registered in China possessing necessary resources in computer software and hardware, network technology, communication technology, technology transfer, technology service and technology consulting;

2. Party B is a domestic limited liability company registered in China;

3. Party A agrees to utilize its human resource, technology and information advantages to exclusively provide Party B with technology service, technology consulting and other services relating to the production and development of computer software (as further detailed below) during the term hereof, and Party B agrees to accept such service from Party A or its designees in accordance with this Agreement.

NOW, THEREFORE, through mutual consultation, Party A and Party B agree as follows:

1. **Provision of Service By Party A**

1.1 In accordance with the terms and conditions of this Agreement, Party B hereby appoints Party A as the exclusive service provider of Party B during the term hereof to provide Party B with overall business support, technology service and consulting service, including all or part of services within the business scope of Party B as decided by Party A from time to time, including, without limitation, research and development and design of computer software and hardware, development of network technology and communication technology; technology transfer, technology consulting, technology service and technology training ("**Services**").

1.2 Party B agrees to accept consulting and the Services provided by Party A. Party B further agrees that it shall not accept any consulting and/or services from, or cooperate with, any third party in relation to the matters specified hereunder during the term hereof, unless with the prior written consent of

1.3 Party A. Party A may designate a third party (such designee may enter into certain agreements described in Article 1.3 hereof with Party B) to provide consulting and/or the Services to Party B hereunder.

1.4 Manner of Provision of Services

1.4.1 Party A and Party B agree that they may enter into other technology service agreements and consulting service agreements directly or through their respective affiliates during the term hereof to provide for the details, manner of provision, personnel and fees of specific technology service and consulting service.

1.4.2 In order to perform this Agreement, Party A and Party B agree that they may enter into an agreement for licensing intellectual property, including, without limitation, software, trademarks, patents and technical know-how, directly or through their respective affiliates during the term hereof to allow Party B's use of Party A's relevant intellectual property in accordance with Party B's business requirements.

1.4.3 In order to perform this Agreement, Party A and Party B agree that they may enter into an equipment or plant lease directly or through their respective affiliates during the term hereof to allow Party B's use of Party A's relevant equipment or plant in accordance with Party B's business requirements.

1.4.4 Party A may subcontract, at its own discretion, part of the Services for Party B hereunder to a third party.

1.4.5 Party B hereby grants Party A an irrevocable and exclusive call option whereby Party A may acquire, at its own discretion, from Party B all or any part of assets and business to the extent permitted by the laws and regulations of the PRC for the lowest possible price permitted by the laws of the PRC. In such case, the Parties may separately enter into an asset or business transfer agreement to provide for the terms and conditions of such asset transfer.

2. **Calculation and Payment of Service Fee, Financial Statements, Audit and Taxes**

2.1 The Parties agree that with respect to the Services provided by Party A, Party B shall pay to Party A service fee in an amount equivalent to 100% of its net income ("**Service Fee**"). The Service Fee shall be paid on a monthly basis. During the term hereof, Party A shall have the right to adjust such Service Fee at its sole discretion without the consent of Party B. Party B shall (a) submit to Party A its management accounts and operational information for each month specifying the net income of Party B for such month ("**Monthly Net Income**"); (b) pay to Party A 100% of its net income ("**Monthly Payment**") within 30 days from the last date of such month. Party A shall issue an invoice for technology service fee to Party B within seven (7) business days from its receipt of such management accounts and operational information. Party B shall pay the invoiced amount within seven (7) business days from its receipt of the invoice. All payments shall be credited to a bank account designated by Party A by remittance or other means acceptable to the Parties. The Parties agree that Party A may change such payment instructions by notice to Party B from time to time.

2.2 Party B shall, within 90 days from the end of each financial year, (a) submit to Party A its audited financial statements for such financial year which shall be audited and certified by an independent certified public accountant approved by Party A; (b) pay to Party A any deficiency in the total amount of the Monthly Payments paid by Party B to Party A for such financial year as indicated by the audited financial statements.

2.3 Party B shall prepare financial statements consistent with the requirements of Party A in accordance with laws and business practices.

2.4 Party B shall allow Party A and/or its designated auditor to audit Party B's relevant books and records and make copies of such part of books and records as is deemed necessary at the main premises of Party B upon a notice from Party A five (5) business days in advance, so as to verify the accuracy of the amount of income and statements of Party B.

2.5 Each of the Parties hereto shall bear any tax liabilites arising from its performance of this Agreement.

3. **Intellectual Property, Confidentiality and Non-competition**

3.1 Party A shall have exclusive and ownership rights and interests in and to all rights, titles, interests and intellectual property rights arising from or created in the performance of this Agreement, including, without limitation, copyrights, patent rights, patent applications, trademarks, software, technical know-how, trade secrets or otherwise, whether developed by Party A or by Party B.

3.2 The Parties acknowledge that any oral or written information exchanged in connection with this Agreement shall be considered as confidential information. Each Party shall keep all such information confidential and shall not disclose any relevant information to any third party without the written consent of the other Party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's disclosure to the public); (b) is required to be disclosed in accordance with applicable laws or rules or provisions of any stock exchange; or (c) is required to be disclosed by any Party to its legal counsels or financial advisors in connection with the transactions contemplated hereby, provided, however, that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this article. If the staff or agencies engaged by any Party disclose any confidential information, such Party shall be deemed to have disclosed such confidential information and shall bear legal liability for breach of this Agreement. This article shall survive the termination of this Agreement for any reason.

3.3 Party B shall not, directly or indirectly, engage in any business other than those permitted by its business license and operating permit or any business competitive with those of Party A within the PRC, including investing in any entity engaging in any business competitive with those of Party A, nor shall it engage in any business other than those consented to by Party A in writing.

3.4 The Parties agree that this article shall continue in effect regardless of whether this Agreement is modified, rescinded or terminated or not.

4. **Representations and Warranties**

4.1 Party A represents and warrants that:

4.1.1 It is a company duly registered and validly existing under the laws of the PRC.

4.1.2 It enters and performs this Agreement within the scope of its legal personality and business operations; it has taken requisite corporate actions and been granted appropriate authorization and obtained the consents and approvals of third parties and governmental authorities, and will not violate laws or other restrictions binding upon or affecting it.

4.1.3 This Agreement constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms.

4.2 Party B represents and warrants that:

4.2.1 Each entity of Party B is a company duly registered and validly existing under the laws of the PRC.

4.2.2 Each entity of Party B enters and performs this Agreement within the scope of its legal personality and business operations; each of them has taken requisite corporate actions and been granted appropriate authorization and obtained the consents and approvals of third parties and governmental authorities, and will not violate laws or other restrictions binding upon or affecting it.

4.2.3 This Agreement constitutes their respective legal, valid and binding obligations, enforceable against them in accordance with its terms.

5. **Effectiveness and Term**

5.1 This Agreement has been entered into as of the date first written above and shall come into force as from such date. This Agreement shall be perpetually valid unless early terminated upon written decision of Party A in accordance with this Agreement or otherwise required in the laws of the PRC.

6. **Termination**

6.1 If any Party's term of operation expires within the term hereof, such Party shall promptly extend its term of operation to the greatest extent permitted by the laws of the PRC in order for this Agreement to continue to be valid and performed. If a Party's application for extension of term of operation is not approved or consented to by any competent authority, this Agreement shall terminate on the date when such Party's term of operation expires.

6.2 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

6.3 Any early termination of this Agreement for any reason shall not release any Party from any obligations hereunder to make payment due prior to such termination, including, without limitation, the Service Fee, or any liability for breach of contract arising prior to such termination. Any payable Service Fee incurred prior to the termination of this Agreement shall be paid to Party A within fifteen (15) business days from such termination.

7. **Governing Law, Dispute Resolution and Change of Laws**

7.1 The execution, effectiveness, interpretation, performance, modification and termination of this Agreement and resolution of disputes arising hereunder shall be governed by the laws of the PRC.

7.2 Any dispute arising from the interpretation and performance of this Agreement shall be resolved by the Parties through good-faith consultation. If the Parties fail to agree upon the resolution of a dispute within 30 days from the date of any Party's request for the resolution of such dispute through consultation, any Party may submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the Commission's arbitration rules then in effect. The arbitration shall be held in Beijing and conducted in the Chinese language. The arbitral award shall be final and binding upon the Parties.

7.3 If any dispute arises from the interpretation and performance of this Agreement or any dispute is under arbitration, the Parties shall continue to exercise their respective rights and perform their respective obligations under this Agreement save for the disputed matters.

8. **Liability for Breach of Contract and Indemnification**

8.1 If Party B materially breaches any covenant hereunder, Party A shall have the right to terminate this Agreement and/or seek damages from Party B; this Article 8.1 shall not preclude any other rights of Party A hereunder.

8.2 Party B shall in no event have the right to terminate or rescind this Agreement unless otherwise provided for in the laws of the PRC.

8.3 Party B shall indemnify and hold harmless Party A from and against any losses, damages, liabilities or costs incurred due to any litigations, claims or other demands against Party A arising or resulting from its provision of consulting and the Services upon the request of Party B, unless incurred due to any willful misconduct of Party A.

9. **Notices**

9.1 All notices and other communications required or permitted to be given in accordance with this Agreement shall be personally delivered or sent by registered mail, postage prepaid, commercial courier service or facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which such notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the mailing address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Xiamen Youxiang Times Technology Co., Ltd.
Address: E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone
Attention: Zhentao Liu
Telephone: 86-17310632963

Party B:

Xiamen Qu Plus Plus Technology Development Co., Ltd.
Address: No. 2999, Xi Zhou Road, Tongan District, Xiamen
Attention: Long Xu
Telephone: 86-17602141092

9.3 Any Party may change its mailing address for notices at any time by giving a notice to the other Party in accordance with this article.

10. **Assignment**

10.1 Party B shall not assign its rights and obligations hereunder to any third party without the prior written consent of Party A.

10.2 Party B agrees that Party A may assign its rights and obligations hereunder to any third party by prior written notice to Party B and without obtaining the consent of Party B.

11. **Severability**

If one or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any respect in accordance with any law or regulation, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or prejudiced in any respect. The Parties shall strive in good faith to replace such invalid, illegal or unenforceable provisions with valid provisions to the greatest extent permitted by law and expected by the Parties, and the economic effect of such valid provisions shall be as close as possible to the economic effect of such invalid, illegal or unenforceable provisions.

12. **Amendment and Supplement**

Any amendment and supplement to this Agreement shall be in writing. Any amendment agreement and supplementary agreement entered into by the Parties relating to this Agreement shall be an integral part of this Agreement and shall have the same force and effect as this Agreement.

13. **Language and Counterparts**

This Agreement is executed in two counterparts, with each Party holding one counterpart, all of which shall have equal legal force.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Party A: Xiamen Youxiang Times Technology Co., Ltd. (Affix Company Seal)
(Seal)

By: _____
Name: Zhentao Liu

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first written above.

Party B: Xiamen Qu Plus Plus Technology Development Co., Ltd., (Affix Company Seal)
(Seal)

By: _____
Name: Long Xu

Exhibit 4.41

[English Translation]

EXCLUSIVE CALL OPTION AGREEMENT

This Exclusive Call Option Agreement (this "**Agreement**") is entered into in Xiamen, the People's Republic of China (the "**PRC**" or "**China**") on July 1, 2019 by and among:

Party A: **Xiamen Youxiang Times Technology Co., Ltd.**, a wholly foreign-owned limited liability company established and existing under the laws of the PRC, with its registered address at E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone.

Party B: **Min Luo**, a PRC citizen, with his identity card number of 362527198302280018; **Long Xu**, a PRC citizen, with his/her identity card number of 610402198310287516.

Party C: **Xiamen Qu Plus Plus Technology Development Co., Ltd.,** a limited liability company established and existing under the laws of the PRC, with its registered address at No. 2999, Xi Zhou Road, Tongan District, Xiamen.

In this Agreement, Party A, Party B and Party C may be hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

WHEREAS:

1. The Persons of Party B are all the currently registered shareholders of Party C. Min Luo holds 99.9% and Long Xu holds 0.1%. The two jointly hold 100% equity of Party C;

2. Subject to the laws of the PRC, Party B intends to transfer to Party A and/or any other entity or individual designated by it, and Party A intends to accept such transfer of, all the equity interest in Party C held by Party B;

3. Subject to the laws of the PRC, Party C intends to transfer to Party A and/or any other entity or individual designated by it, and Party A intends to accept such transfer of, the assets owned by Party C;

4. In order to consummate the aforesaid equity or asset transfer, Party B and Party C agree to grant, on an exclusive basis, respectively to Party A irrevocable Equity Call Option (as defined below) and Asset Purchase Option (as defined below), Party C agrees that Party B grants the Equity Call Option to Party A in accordance with this Agreement, and Party B agrees that Party C grants the Asset Purchase Option to Party A in accordance with this Agreement.

NOW, THEREFORE, through mutual consultation, the Parties agree as follows:

1. Equity Call Option and Asset Purchase Option

1.1 Grant of Options

Party B hereby irrevocably grants to Party A an irrevocable and exclusive option to purchase, or cause one or more designated Persons (each, a "**Designee**", subject to approval by the board of directors of Party A) to purchase, all or any part of equity interest in Party C held by Party B now or hereafter from such Person at any time, one or more times, at the price set forth in Article 1.3 hereof according to the steps for exercise as determined by Party A in its sole discretion (the "**Equity Call Option**"). No third Person other than Party A and the Designees shall have the right to purchase equity interest in Party C held by Party B or other rights related to equity interest in Party C held by Party B. Party C hereby agrees that Party B grants the Equity Call Option to Party A in accordance with this Agreement. "**Person**" referred to in this article and this Agreement means individual, company, joint venture, partnership, enterprise, trust or unincorporated organization.

Party C hereby irrevocably grants to Party A an irrevocable and exclusive option to purchase, or cause the Designee(s) to purchase, all or any part of assets owned by Party C now or hereafter from Party C at any time, one or more times, at the price set forth in Article 1.3 hereof according to the steps for exercise as determined by Party A in its sole discretion (the "**Asset Purchase Option**"). No third Person other than Party A and the Designees shall have the right to purchase assets of Party C or other rights related to assets of Party C. Party B hereby agrees that Party C grants the Asset Purchase Option to Party A in accordance with this Agreement.

Party A agrees to accept the aforesaid Equity Call Option and the Asset Purchase Option. For the avoidance of doubt, Party A may exercise any rights hereunder, including the Equity Call Option and/or the Asset Purchase Option, at any time after the execution and effectiveness of this Agreement. To the fullest extent permitted by the laws of the PRC, Party A shall have the right to exercise the rights hereunder, including the Equity Call Option and/or the Asset Purchase Option, against Party B or its successor or successor entity and Party C and its successor entity in accordance with the terms of this Agreement.

1.2 Steps for Exercise

1.2.1 Subject to the terms and conditions of this Agreement, to the extent permitted by the laws of the PRC, Party A shall determine the timing, method and times of its exercise of the Equity Call Option and the Asset Purchase Option in its absolute and sole discretion and shall have the right to request at any time Party B to transfer all or any part of its equity interest in Party C, or Party C to transfer all or any part of its assets, to it or the Designee(s).

1.2.2 With respect to the Equity Call Option, Party A shall have the right to determine in its sole discretion the amount of equity interest to be transferred by Party B to Party A and/or the Designee(s) in each exercise, and Party B shall transfer such amount of the Purchased Equity (as defined below) as requested by Party A to Party A and/or the Designee(s). Party A and/or the Designee(s) shall pay the transfer price to the transferring Person of Party B for the Purchased Equity acquired in each exercise.

1.2.3 With respect to the Asset Purchase Option, Party A shall have the right to determine the specific assets of Party C to be transferred by Party C to Party A and/or the Designee(s) in each exercise, and Party C shall transfer the Purchased Assets (as defined below) as requested by Party A to Party A and/or the Designee(s). Party A and/or the Designee(s) shall pay the transfer price to Party C for the Purchased Assets acquired in each exercise.

1.2.4 When Party A exercises the Equity Call Option or the Asset Purchase Option, it shall give a written notice (the "**Equity Purchase Notice**" or the "**Asset Purchase Notice**") to Party B, specifying (a) decision made by Party A or the Designee(s) on exercise of the Equity Call Option/the Asset Purchase Option; (b) the percentage of equity interest proposed to be purchased by Party A or the Designee(s) from Party B (the "**Purchased Equity**"), or the specific assets proposed to be purchased from Party C (the "**Purchased Assets**"); and (c) the purchase date/transfer date of the purchased equity or assets. After the receipt of such notice, Party B or Party C shall, pursuant to such notice, promptly transfer the Purchased Equity or the Purchased Assets to Party A and/or the Designee(s) in such way as described in this Agreement.

1.3 Transfer Price

1.3.1 With respect to the Equity Call Option hereunder, the transfer price corresponding to the Purchased Equity in each exercise by Party A shall be the lowest price permitted by the laws of the PRC applicable at the time of exercise; with respect to the Asset Purchase Option hereunder, the transfer price corresponding to the Purchased Assets in each exercise by Party A shall be the net book value of the Purchased Assets; if the lowest price permitted by the then applicable laws of the PRC is higher than the net book value of the Purchased Assets, the transfer price shall be the lowest price permitted by the laws of the PRC.

1.3.2 The Parties hereby agree that, after Party A exercises the Equity Call Option and/or the Asset Purchase Option, Party B and/or Party C shall pay all the transfer price collected thereby to Party A or another party designated by it without compensation.

1.4 Transfer of the Purchased Equity/the Purchased Assets

When Party A exercises the Equity Call Option and/or the Asset Purchase Option each time,

1.4.1 Party C shall, and Party B shall cause Party C to, promptly hold a shareholders' meeting, at which a resolution shall be adopted on the approval of the transfer of the Purchased Equity by Party B, or the transfer of the Purchased Assets by Party C, to Party A and/or the Designee(s);

1.4.2 Party B shall obtain consent from its shareholders' meeting, board of directors or other internal decision-making bodies having similar functions in connection with its transfer of the Purchased Equity to Party A and/or the Designee(s);

1.4.3 with respect to the transfer of the Purchased Equity to Party A and/or the Designee(s), Party B shall obtain a written statement from the other shareholders of Party C, in which they approve such transfer and waive the right of first refusal;

1.4.4 Party B shall enter into an equity transfer contract for each equity transfer with Party A and/or the Designee(s) (as applicable) in accordance with this Agreement and the Equity Purchase Notice, in the form and substance satisfactory to Party A; Party C shall enter into an asset transfer contract for each asset transfer with Party A and/or the Designee(s) (as applicable) in accordance with this Agreement and the Asset Purchase Notice, in the form and substance satisfactory to Party A;

1.4.5 the relevant Parties shall execute all other necessary contracts, agreements or documents (including, without limitation, amendment to the articles of association), obtain all necessary governmental licenses and permits (including, without limitation, business license) and take all necessary actions to transfer the valid title to the Purchased Equity and/or the Purchased Assets to Party A and/or the Designee(s), free and clear of any Security Interest, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Purchased Equity and/or the Purchased Assets, if applicable. For the purpose of this article and this Agreement, "**Security Interest**" includes security, mortgage, third party rights or interests, any call option, right to acquire, right of first refusal, right of set-off, ownership detainment or other security arrangements, for the sake of clarity, excluding any Security Interest created under this Agreement, the Equity Interest Pledge Agreement of Party B and the Power of Attorney Agreement of Party B. The "**Equity Interest Pledge Agreement of Party B**" referred to in this article and this Agreement means the Equity Interest Pledge Agreement entered into by Party A, Party B and Party C on the date hereof (in the form and substance set forth in Appendix I hereto), as amended, modified or restated; the "**Power of Attorney Agreement of Party B**" referred to in this article and this Agreement means the Power of Attorney Agreement executed by Party B to authorize Party A on the date hereof (in the form and substance set forth in Appendix II hereto), as amended, modified or restated.

2. Covenants

2.1 Covenants Concerning Party C

Party B (as the shareholders of Party C) and Party C hereby covenant that:

2.1.1 without the prior written consent of Party A, they shall not supplement, modify or amend the articles of association or bylaws of Party C in any form, increase or decrease its registered capital or otherwise change its registered capital structure;

2.1.2 they shall maintain the corporate existence of Party C according to good financial and business standards and practices, conduct its business and transact its affairs prudently and effectively and cause Party C to perform its obligations under the Exclusive Business Cooperation Agreement executed by it on the date hereof;

2.1.3 without the prior written consent of Party A, they shall not sell, transfer, mortgage or otherwise dispose of lawful or beneficial interest in any assets, business or income of Party C or permit the encumbrance thereon of any Security Interest at any time from the date hereof;

2.1.4 after the statutory liquidation described in Article 3.6, Party B will fully pay Party A any remaining residual value collected on the basis of non-bidirectional payment or procure such payment; if such payment is prohibited by the laws of the PRC, Party B will pay such income to Party A or the party designated by Party A to the extent permitted by the laws of the PRC;

2.1.5 without the prior written consent of Party A, they shall not incur, inherit, guarantee or permit the existence of any debts, except for (i) debts incurred in the ordinary course of business other than through loans; and (ii) debts disclosed to and approved by Party A in writing;

2.1.6 they shall always conduct all the business of Party C in the ordinary course of business to maintain the asset value of Party C and refrain from any act/omission that may affect the operation status and asset value of Party C;

2.1.7 without the prior written consent of Party A, they shall not cause Party C to enter into any material contract, except for the contracts entered into in the ordinary course of business (for the purpose of this paragraph, a contract shall be deemed as a material contract if its value exceeds RMB100,000);

2.1.8 without the prior written consent of Party A, they shall not cause Party C to provide any Person with loan or credit or any form of security;

2.1.9 upon request by Party A, they shall provide Party A with all information regarding the operation and financial status of Party C;

2.1.10 if requested by Party A, they shall procure and maintain insurance on assets and business of Party C, the amounts and types of which shall be consistent with those of the companies operating similar business, with an insurer acceptable to Party A;

2.1.11 without the prior written consent of Party A, they shall not cause or allow Party C to merge or consolidate with any Person or acquire or invest in any Person, or cause or allow Party C to sell its assets with value of more than RMB100,000;

2.1.12 they shall promptly notify Party A of any litigation, arbitration or administrative proceeding initiated or threatened in relation to the assets, business or income of Party C;

2.1.13 to retain Party C's title to all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or make necessary and appropriate defenses against all claims;

2.1.14 without the prior written consent of Party A, they shall ensure that Party C shall not distribute dividends to its shareholders in any form; provided, however, that Party C shall promptly distribute all distributable profits to its shareholders upon written request by Party A;

2.1.15 upon request by Party A, they shall appoint any Person designated by Party A as the director of Party C and/or remove the incumbent director of Party C; and

2.1.16 without the written consent of Party A, Party C shall not be dissolved or liquidated, unless mandatorily required by the laws of the PRC.

2.2 Acknowledgements and Covenants of Party B

Party B hereby acknowledges that:

2.2.1 to the fullest extent permitted by the laws of the PRC, any equity interest in Party C held by Party B now or hereafter shall not belong to community property of Party B (in the event that Party B is a natural Person) or hereditament and shall not be divided or inherited, nor shall Party B use its equity interest in Party C to assume debt repayment liability or security liability. If, due to any reason, such equity interest is divided, transferred or inherited, successor(s) or transferee(s) shall execute all documents requested by Party A (including, without limitation, this Agreement, the Equity Interest Pledge Agreement of Party B and the Power of Attorney Agreement of Party B).

Party B hereby covenants that:

2.2.2 without the prior written consent of Party A, it shall not sell, transfer, mortgage or otherwise dispose of any lawful or beneficial interest in its equity interest in Party C or permit the encumbrance thereon of any Security Interest, other than the pledge created on such equity interest in accordance with the Equity Interest Pledge Agreement of Party B;

2.2.3 it shall not request Party C to distribute dividends or make other forms of profit distribution in connection with its equity interest in Party C, propose a resolution thereon to the shareholders' meeting or vote in favor of such resolution at the shareholders' meeting. In any event, if Party B receives any proceeds, profit distribution or dividends from Party C, to the extent permitted by the laws of the PRC, Party B shall promptly pay or transfer such proceeds, profit distribution or dividends to Party A or the party designated by Party A for the benefit of Party C as the service fee payable by Party C to Party A under the Exclusive Business Cooperation Agreement;

2.2.4 it shall cause the shareholders' meeting and/or the board of directors of Party C not to approve the sale, transfer, mortgage or other disposal of any lawful or beneficial interest in its equity interest in Party C or permit the encumbrance thereon of any Security Interest without the prior written consent of Party A, other than the pledge created on such equity interest in accordance with the Equity Interest Pledge Agreement of Party B;

2.2.5 it shall cause the shareholders' meeting or the board of directors of Party C not to approve merger or consolidation with any Person or acquisition of or investment in any Person without the prior written consent of Party A;

2.2.6 it shall promptly notify Party A of any litigation, arbitration or administrative proceeding initiated or threatened in relation to its equity interest in Party C;

2.2.7 it shall cause the shareholders' meeting or the board of directors of Party C to approve the transfer of the Purchased Equity hereunder and take any and all other actions that Party A may request;

2.2.8 to retain its ownership of its equity interest in Party C, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or make necessary and appropriate defenses against all claims;

2.2.9 upon request by Party A, it shall appoint any Person designated by Party A as the director of Party C;

2.2.10 upon request by Party A at any time, it shall promptly and unconditionally transfer its equity interest in Party C to the Designee(s) of Party A based on the Equity Call Option hereunder, and Party B hereby waives the right of first refusal, if any, with respect to the equity transfer by another existing shareholder of Party C; and

2.2.11 it shall strictly comply with this Agreement and other contracts entered into by Party B, Party C and Party A jointly or severally, perform its obligations hereunder and thereunder and refrain from any act/omission that may affect the validity and enforceability hereof and thereof. If Party B has any remaining rights with respect to the equity interest under this Agreement or the Equity Interest Pledge Agreement among the Parties hereto or the Power of Attorney Agreement granted in favor of Party A, Party B shall not exercise such rights, unless according to the written instructions given by Party A.

2.3 Covenants of Party C

Party C hereby covenants that:

2.3.1 if the execution and performance of this Agreement and the grant of the Equity Call Option or the Asset Purchase Option hereunder require consent, permit, waiver or authorization of any third party or approval, permit or exemption of any governmental authority or completion of registration or filing procedures with any governmental authority (if required in accordance with law), Party C will use its best efforts to assist the satisfaction of such conditions;

2.3.2 without the prior written consent of Party A, Party C will not assist or permit Party B to transfer or otherwise dispose of, or create any Security Interest or other third party rights on, any equity interest in Party C held by Party B;

2.3.3 without the prior written consent of Party A, Party C will not transfer or otherwise dispose of any material assets of Party C, or create any Security Interest or other third party rights on any assets of Party C;

2.3.4 Party C will not do or permit to be done any act or action likely to have adverse effect on the interests of Party A hereunder; and

2.3.5 Party C covenants that upon issuance of the Asset Purchase Notice by Party A for the exercise of the Asset Purchase Option: Party C shall immediately cause Party B to hold a shareholders' meeting and adopt a resolution of the shareholders' meeting and take all other necessary actions to approve the transfer by Party C of the Purchased Assets to Party A and/or the Designee(s) at the transfer price set forth herein; it shall immediately execute an asset transfer agreement with Party A and/or the Designee(s) to transfer all the Purchased Assets to Party A and/or the Designee(s) at the transfer price set forth herein, and shall cause shareholders of Party C to provide necessary supports to Party A in accordance with requirements of Party A, laws and regulations (including provision and execution of all relevant legal documents, completion of all governmental approval and registration formalities and assumption of all relevant obligations), such that Party A and/or the Designee(s) shall obtain the ownership of the Purchased Assets, free and clear of any legal defects and any Security Interest, third party rights or any other restrictions.

3. Representations and Warranties

3.1 Each Person of Party B hereby severally but not jointly represents and warrants that, as of the date hereof and each transfer date of the Purchased Equity:

3.1.1 with respect to a natural Person, he is a PRC citizen with full capacity to act, has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party. With respect to a Person other than a natural Person, it is a legal entity validly established and lawfully existing under the laws of the PRC, has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

3.1.2 he or it has full power and authority to execute, deliver and perform this Agreement and all other documents to be executed by him or it in connection with the transactions contemplated hereby, and has full power and authority to consummate the transactions contemplated hereby.

3.1.3 this Agreement has been lawfully and duly executed and delivered by him or it. This Agreement constitutes his or its legal and binding obligations enforceable against him or it in accordance with the terms hereof.

3.1.4 he or it is the registered shareholder of the Purchased Equity; other than the pledge right created under the Equity Interest Pledge Agreement of Party B and the proxy rights created under the Power of Attorney Agreement of Party B, the Purchased Equity held by him or it is free and clear of any lien, pledge right, claim right and other Security Interest and third party rights. In accordance with this Agreement, Party A and/or the Designee(s) may, upon exercise of option, obtain good title to the Purchased Equity, free and clear of any lien, pledge right, claim right and other Security Interest or third party rights.

3.2 Party C hereby represents and warrants as follows:

3.2.1 It is a limited liability company duly registered and lawfully existing under the laws of the PRC with independent legal person status. It has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

3.2.2 It has full internal power and authority to execute, deliver and perform this Agreement and all other documents to be executed by it in connection with the transactions contemplated hereby, and has full power and authority to consummate the transactions contemplated hereby.

3.2.3 This Agreement has been lawfully and duly executed and delivered by it. This Agreement constitutes its legal and binding obligations.

3.2.4 The assets of Party C are free and clear of any lien, mortgage right, claim right and other Security Interest and third party rights. In accordance with this Agreement, Party A and/or the Designee(s) may, upon exercise of option, obtain good title to the assets of Party C, free and clear of any lien, mortgage right, claim right and other Security Interest or third party rights.

3.3 Party A represents and warrants as follows:

3.3.1 It is a wholly foreign-owned enterprise duly registered and lawfully existing under the laws of the PRC with independent legal person status. It has full and independent legal status and capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

3.3.2 It has full internal power and authority to execute, deliver and perform this Agreement and all other documents to be executed by it in connection with the transactions contemplated hereby, and has full power and authority to consummate the transactions contemplated hereby.

3.3.3 This Agreement has been lawfully and duly executed and delivered by it. This Agreement constitutes its legal and binding obligations.

4. Effective Date

This Agreement shall become effective from the date on which it is duly executed by the Parties. This Agreement shall be terminated after all assets of Party C and all equity interest in Party C held by Party B have been lawfully transferred to Party A and/or another Person designated by it in accordance with the provisions hereof.

5. Governing Law and Dispute Resolution

5.1 Governing Law

The execution, effectiveness, interpretation, performance, modification and termination of this Agreement and resolution of disputes arising hereunder shall be governed by officially promulgated and publicly available laws of the PRC.

5.2 Dispute Resolution

Any dispute arising from the interpretation and performance of this Agreement shall be first resolved by the Parties through friendly consultation. If the Parties fail to agree upon the resolution of a dispute within 30 days after any Party requests the other Parties to resolve such dispute through consultation, any Party may submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the Commission's arbitration rules then in effect. The arbitration shall be held in Beijing and conducted in the Chinese language. The arbitral award shall be final and binding upon the Parties.

6. Taxes and Expenses

Each Party shall pay any and all transfer and registration taxes, costs and expenses incurred by it or levied on it in connection with the preparation and execution of this Agreement and the relevant transfer contract and consummation of the transactions contemplated hereby and thereby in accordance with the laws of the PRC.

7. Notices

7.1 All notices and other communications required or permitted to be given in accordance with this Agreement shall be personally delivered or sent by registered mail, postage prepaid, commercial courier service or facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by email. The dates on which such notices shall be deemed to have been effectively given shall be determined as follows:

7.1.1 Notices given by personal delivery, courier service or registered mail, postage prepaid, shall be deemed effectively given on the date of delivery or refusal at the mailing address specified for notices.

7.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

7.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A:

Xiamen Youxiang Times Technology Co., Ltd.
Address: E3, Unit 03, 8th Floor, Building D, Xiamen International Modernization Center, Xiamen Area, No. 97 Xiangyu Road, China's (Fujian) Pilot Free Trade Zone
Attention: Zhentao Liu
Telephone: 86-17310632963

Party B:

Min Luo
Address: 39th Floor, AVIC Zijin Plaza, Huan Dao Dong Road 1801, Siming District, Xiamen
Attention: Min Luo
Telephone: 86-17602141092

Long Xu
Address: 39th Floor, AVIC Zijin Plaza, Huan Dao Dong Road 1801, Siming District, Xiamen
Attention: Long Xu
Telephone: 86-17602141092

Party C:

Xiamen Qu Plus Plus Technology Development Co., Ltd.,
Address: No. 2999, Xi Zhou Road, Tongan District, Xiamen.
Attention: Long Xu
Telephone: 86-17602141092

7.3 Any Party may change its mailing address for notices at any time by giving a notice to the other Parties in accordance with this article.

8. Confidentiality Liability

The Parties acknowledge that any oral or written information exchanged in connection with this Agreement shall be considered as confidential information. Each Party shall keep all such information confidential and shall not disclose any relevant information to any third party without the written consent of the other Parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's disclosure to the public); (b) is required to be disclosed in accordance with applicable laws or rules or provisions of any stock exchange; or (c) is required to be disclosed by any Party to its legal counsels or financial advisors in connection with the transactions contemplated hereby, provided, however, that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this article. If the staff or agencies engaged by any Party disclose any confidential information, such Party shall be deemed to have disclosed such confidential information and shall bear legal liability for breach of this Agreement. This article shall survive the termination of this Agreement for any reason.

9. Further Assurance

The Parties agree to promptly execute such documents and take such further actions as reasonably necessary or desirable in connection with the implementation of various provisions and purpose of this Agreement.

10. Liabilities for Breach of Contract

10.1 If Party B or Party C materially violates any provision of this Agreement, Party A shall have the right to terminate this Agreement and/or claim damages against Party B or Party C; this Article 10 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided by laws, in no event shall Party B or Party C have the right to terminate or rescind this Agreement.

11 Miscellaneous

11.1 Amendment, Modification and Supplement

This Agreement may not be amended, modified or supplemented except by an agreement in writing signed by all the Parties.

11.2 Entire Contract

Unless as amended, supplemented or modified in writing after the execution of this Agreement, this Agreement shall constitute the entire agreement of the Parties hereto with respect to the subject matter hereof and supersede all prior negotiations, statements and contracts, both oral and written, with respect to the subject matter hereof.

11.3 Headings

The headings in this Agreement are inserted for the convenience of reference only and shall not be used for the interpretation or construction of, or otherwise affect, the meanings of provisions hereof.

11.4 Language and Counterparts

This Agreement is written in the Chinese language in four (4) counterparts with Party A, Party C, Min Luo and Long Xu of Party B holding one (1) copy. They have the same legal effect.

11.5 Severability

If one or more provisions of this Agreement are held to be invalid, illegal or unenforceable in any respect in accordance with any law or regulation, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or prejudiced in any respect. The Parties shall strive through consultation in good faith to replace such invalid, illegal or unenforceable provisions with valid provisions to the greatest extent permitted by laws and expected by the Parties, and the economic effect of such valid provisions shall be as close as possible to the economic effect of such invalid, illegal or unenforceable provisions.

11.6 Successor

This Agreement shall be binding upon and inure to the benefit of the Parties' respective successors/heirs and permitted assignees.

11.7 Survival

11.7.1 Any obligations accrued or due hereunder prior to the expiration or early termination of this Agreement shall continue in force and effect after the expiration or early termination of this Agreement.

11.7.2 Articles 5, 7 and 8 and this Article 11.7 shall survive the termination of this Agreement.

11.8 Waiver

Any Party may waive the terms and conditions hereof, provided, however, that such waiver must be made in writing and signed by the Parties. No waiver by any Party under certain circumstance with respect to a breach by the other Parties shall operate as a waiver by such Party with respect to similar breach under other circumstances.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first written above.

Party A: Xiamen Youxiang Times Technology Co., Ltd. (Affix Company Seal)
(Seal)

By: _____
Name: Zhentao Liu

Party B: Min Luo

By: /s/ Min Luo
Name: Min Luo

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Agreement as of the date first written above.

Party B: Long Xu

By: /s/ Long Xu
Name: Long Xu

Party C: Xiamen Qu Plus Plus Technology Development Co., Ltd., (Affix Company Seal)
(Seal)

By: _____
Name: Long Xu

Exhibit 4.42

July 1, 2019

To: Xiamen Qu Plus Plus Technology Development Co., Ltd. (the "**VIE Entity**")

To Whom It May Concern:

To ensure the cash flow requirements of the VIE Entity's operations are met and/or to set off any loss accrued during such operations, the undersigned, Qudian Inc. (the "**Company**"), is obligated and hereby undertakes to provide unlimited financial support to the VIE Entity, to the extent permissible under the applicable laws and regulations of the PRC and the Cayman Islands, whether or not any such operational loss is actually incurred. The form of financial support shall include, but not limited to, extension of cash, entrusted loans and borrowings. 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.

The undersigned agrees and acknowledges such undertaking shall be irrevocable and continuously valid from the date hereof until the date on which all of the equity interests of the VIE Entity have been acquired directly or indirectly by the Company or its designated representative (individual or legal person).

Please confirm receipt of this letter by returning a signed copy of this letter to the undersigned.

Qudian Inc.

/s/ Min Luo

Name: Min Luo
Title: Authorized Signatory

Exhibit 4.43

EXECUTION VERSION

Qudian Inc.

and

Deutsche Bank Trust Company Americas, as Trustee

INDENTURE

dated as of July 1, 2019

1.00% CONVERTIBLE SENIOR NOTES DUE 2026

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INDENTURE dated as of July 1, 2019 between QUDIAN INC., a Cayman Islands exempted company, as issuer (the "**Company**," as more fully set forth in Section 1.01) and DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as trustee (the "**Trustee**," as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 1.00% Convertible Senior Notes due 2026 (the "**Notes**"), initially in an aggregate principal amount not to exceed US$345,000,000, subject to Section 2.10, and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice, the Form of Repurchase Notice and the Form of Assignment and Transfer to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1
DEFINITIONS

Section 1.01 *Definitions*. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words "herein," "hereof," "hereunder," and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"**Additional ADSs**" shall have the meaning specified in Section 14.03(a).

"**Additional Amounts**" shall have the meaning specified in Section 4.07(a).

"**Additional Interest**" means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e) and Section 6.03, as applicable.

"**ADS**" means an American Depositary Share, issued pursuant to the Deposit Agreement or Restricted Deposit Agreement, as applicable, representing one Ordinary Share of the Company as of the date of this Indenture, and deposited with the ADS Custodian.

"**ADS Custodian**" means Deutsche Bank AG, Hong Kong Branch, with respect to the ADSs delivered pursuant to the Deposit Agreement or the Restricted Deposit Agreement, as applicable, or any successor entity thereto.

"**ADS Depositary**" means Deutsche Bank Trust Company Americas, as depositary for the ADSs, or any successor entity thereto.

"**ADS Price**" shall have the meaning specified in Section 14.03(b).

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agents**" means the Paying Agent, the Note Registrar and the Conversion Agent.

"**Applicable PRC Rate**" means (i) in the case of deduction or withholding of People's Republic of China income tax, 10%, (ii) in the case of deduction or withholding of, or reduction for, People's Republic of China value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of, or reduction for, both People's Republic of China income tax and People's Republic of China value added tax (including any related local levies), 16.72%.

"**applicable taxes**" shall have the meaning specified in Section 4.07(a).

"**Board of Directors**" means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

"**Board Resolution**" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means, with respect to any Note, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"**Capital Stock**" means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

"**Change in Tax Law**" shall have the meaning specified in Section 16.01.

"**Clause A Distribution**" shall have the meaning specified in Section 14.04(c).

"**Clause B Distribution**" shall have the meaning specified in Section 14.04(c).

"**Clause C Distribution**" shall have the meaning specified in Section 14.04(c).

"**close of business**" means 5:00 p.m. (New York City time).

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Common Equity**" of any Person means ordinary share capital or common stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Company**" shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

"**Company Notice**" shall have the meaning specified in Section 15.01(a).

"**Company Order**" means a written order of the Company, signed by an Officer of the Company and delivered to the Trustee.

"**Consolidated Variable Interest Entities**" means, with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

"**Conversion Agent**" shall have the meaning specified in Section 4.02.

"**Conversion Date**" shall have the meaning specified in Section 14.02(c).

"**Conversion Obligation**" shall have the meaning specified in Section 14.01.

"**Conversion Rate**" shall have the meaning specified in Section 14.01.

"**Corporate Trust Office**" means the designated corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at (i) for purposes of surrender, transfer or exchange of any Note, Deutsche Bank Trust Company Americas, c/o DB Services Americas, Inc., 5022 Gate Parkway, Suite 200, Jacksonville, FL 32256, Attn: Transfer Department and (ii) for all other purposes, Deutsche Bank Trust Company Americas, Trust and Agency Services, 60 Wall St., 24th Floor, MS NYC 60-2407, New York, NY 10005, USA, Attention: Corporate Team/Qudian Inc., or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

"**Default**" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"**Defaulted Amounts**" means any amounts on any Note (including, without limitation, the Redemption Price, the Repurchase Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for.

"**Deposit Agreement**" means the deposit agreement dated as of October 17, 2017, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

"**Depositary**" means, with respect to each Global Note, the Person specified in Section 2.05(c) and Section 2.05(e) as the Depositary with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, "**Depositary**" shall mean or include such successor.

"**Distributed Property**" shall have the meaning specified in Section 14.04(c).

"**Effective Date**" shall have the meaning specified in Section 14.03(c).

"**Event of Default**" shall have the meaning specified in Section 6.01.

"**Ex-Dividend Date**" means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Existing Principal Shareholder**" means Mr. Min Luo, together with any other "person" or "group" subject to aggregation or attribution of the Common Equity of the Company (including Common Equity held in the form of ADSs) under Section 13(d) of the Exchange Act.

"**Expiring Rights**" means any rights, options or warrants to purchase Ordinary Shares or ADSs that expire on or prior to the Maturity Date.

"**FATCA**" shall have the meaning specified in Section 4.07(a)(i)(D).

"**Form of Assignment and Transfer**" shall mean the "Form of Assignment and Transfer" attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

"**Form of Fundamental Change Repurchase Notice**" shall mean the "Form of Fundamental Change Repurchase Notice" attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

"**Form of Notice of Conversion**" shall mean the "Form of Notice of Conversion" attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

"**Form of Repurchase Notice**" shall mean the "Form of Repurchase Notice" attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

"**Fractional ADS**" shall have the meaning specified in Section 14.02(a).

"**Fundamental Change**" shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) (A) A "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and the Existing Principal Shareholder, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of: (i) the Company's Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company's Common Equity, or (ii) Ordinary Shares representing more than 50% of the outstanding Ordinary Shares (including Ordinary Shares held in the form of ADSs), or (B) the Existing Principal Shareholder has become the direct or indirect beneficial owner of the Company's Common Equity (including Common Equity held in the form of ADSs) representing more than 85% of the voting power of the Company's Common Equity, based on any Schedule TO or any schedule, form or report under the Exchange Act disclosing the same filed by the Existing Principal Shareholder (or any other "person" or "group" subject to aggregation or attribution of the Common Equity of the Company under Section 13(d) of the Exchange Act);

(b) the consummation of (A) any recapitalization, reclassification or change of the Ordinary Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Ordinary Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of the Company pursuant to which the Ordinary Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries and Consolidated Variable Interest Entities, taken as a whole, to any Person other than one of the Company's wholly-owned Subsidiaries; *provided*, *however*, that a transaction described in clause (B) in which the holders of all classes of the Company's Common Equity (including Common Equity held in the form of ADSs) immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-a-vis each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(d) the ADSs (or other Common Equity or ADSs in respect of Common Equity underlying the Notes) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors); or

(e) any change in or amendment to the laws, regulations and rules of the People's Republic of China or the official interpretation or official application thereof (a "**Change in Law**") that results in (x) the Company, its Subsidiaries and its Consolidated Variable Interest Entities (collectively, the "**Company Group**") (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company's being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter; *provided* that the Company has not furnished to the Trustee on or before the 20th calendar day after the date of such Change in Law an opinion from an independent financial advisor or an independent legal counsel stating either (x) that the Company is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Company's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Company Group) or (y) that such Change in Law would not materially adversely affect the Company's ability to make principal and interest payments on the Notes when due or to effect the conversion of the Notes in accordance herewith,

provided, *however*, that a transaction or event described in clause (b) above shall not constitute a Fundamental Change, if at least 90% of the consideration received or to be received by holders of the ADSs, excluding cash payments for Fractional ADSs, in connection with such transaction or event consists of shares of Common Equity or ADSs in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or event that would otherwise constitute a Fundamental Change under clause (b) of the definition thereof and as a result of such transaction or event, the Notes become convertible into such consideration, excluding cash payments for Fractional ADSs, *provided further* that an event that is not considered a Fundamental Change pursuant to this proviso shall not be a Fundamental Change solely because such event could also be considered a Fundamental Change pursuant to clause (a) of this definition.

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 15.02(c).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 15.02(a).

"**Fundamental Change Repurchase Notice**" shall have the meaning specified in Section 15.02(b)(i).

"**Fundamental Change Repurchase Price**" shall have the meaning specified in Section 15.02(a).

"**Global Note**" shall have the meaning specified in Section 2.05(b).

"**Holder**," as applied to any Note, or other similar terms (but excluding the term "beneficial holder"), shall mean any Person in whose name at the time a particular Note is registered on the Note Register.

"**Indenture**" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

"**Initial Purchasers**" means Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., as representatives of the several initial purchasers named in the Purchase Agreement.

"**Interest Payment Date**" means each July 1 and January 1 of each year or, if the relevant date is not a Business Day, the immediately following Business Day, beginning on January 1, 2020.

"**Last Reported Sale Price**" of the ADSs on any date means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs are traded. If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "Last Reported Sale Price" shall be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the "Last Reported Sale Price" shall be the average of the mid-point of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

"**Make-Whole Fundamental Change**" means any transaction or event described in clause (a), (b), (d) or (e) of the definition of Fundamental Change (determined after giving effect to any exceptions to or exclusions from such definition, including in the *proviso* immediately succeeding clause (e) of the definition thereof, but without regard to the *proviso* in clause (b) of the definition thereof).

"**Maturity Date**" means July 1, 2026.

"**Merger Event**" shall have the meaning specified in Section 14.07(a).

"**Note**" or "**Notes**" shall have the meaning specified in the first paragraph of the recitals of this Indenture.

"**Notes Fungibility Date**" means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and (if any) all of the Regulation S Notes are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c), are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

"**Note Register**" shall have the meaning specified in Section 2.05(a).

"**Note Registrar**" shall have the meaning specified in Section 2.05(a).

"**Notice of Conversion**" shall have the meaning specified in Section 14.02(b).

"**Offering Memorandum**" means the preliminary offering memorandum dated June 25, 2019, as supplemented by the pricing term sheet dated June 26, 2019, 2019, relating to the offering and sale of the Notes.

"**Officer**" means, with respect to the Company, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Treasurer.

"**Officers' Certificate**," when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by two Officers of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section. One of the Officers giving an Officers' Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

"**open of business**" means 9:00 a.m. (New York City time).

"**Opinion of Counsel**" means an opinion in writing signed by legal counsel and in a form reasonably acceptable to the Trustee, who may be counsel to the Company, or other counsel acceptable to the Trustee, that is delivered to the Trustee. Each such opinion shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section 17.06.

"**Ordinary Shares**" means Class A ordinary shares of the Company, par value US$0.0001 per share, at the date of this Indenture, subject to Section 14.07.

"**outstanding**," when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

(a) Notes theretofore cancelled by the Trustee or accepted by the Trustee for cancellation;

(b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);

(c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;

(d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08;

(e) Notes redeemed pursuant to Article 16; and

(f) Notes repurchased by the Company pursuant to the third sentence of Section 2.10.

"**Paying Agent**" shall have the meaning specified in Section 4.02.

"**Person**" means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"**Physical Notes**" means permanent certificated Notes in registered form issued in denominations of US$1,000 principal amount and multiples thereof.

"**Predecessor Note**" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

"**Purchase Agreement**" means that certain Purchase Agreement, dated as of June 26, 2019, among the Company and the Initial Purchasers.

"**Record Date**" means, with respect to any dividend, distribution or other transaction or event in which the holders of ADSs (or other applicable security) have the right to receive any cash, securities or other property or in which ADSs (or other applicable security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

"**Redemption Date**" shall have the meaning specified in Section 16.01.

"**Redemption Reference Date**" shall have the meaning specified in Section 14.03(g).

"**Redemption Reference Price**" shall have the meaning specified in Section 16.01.

"**Redemption Price**" shall have the meaning specified in Section 16.01.

"**Reference Property**" shall have the meaning specified in Section 14.07(a).

"**Regular Record Date**," with respect to any Interest Payment Date, shall mean the June 15 or December 15 (whether or not such day is a Business Day) immediately preceding the applicable July 1 or January 1 Interest Payment Date, respectively.

"**Regulation S**" means Regulation S under the Securities Act or any successor to such regulation.

"**Regulation S Notes**" means the Notes, if any, initially offered and sold outside the United States pursuant to Regulation S.

"**Relevant Taxing Jurisdiction**" shall have the meaning specified in Section 4.07(a).

"**Repurchase Date**" shall have the meaning specified in Section 15.01(a).

"**Repurchase Expiration Time**" shall have the meaning specified in Section 15.01(a).

"**Repurchase Notice**" shall have the meaning specified in Section 15.01(a).

"**Repurchase Price**" shall have the meaning specified in Section 15.01(a).

"**Resale Restriction Termination Date**" shall have the meaning specified in Section 2.05(c).

"**Responsible Officer**" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such Person's knowledge of and familiarity with the particular subject and, in any case, who shall have direct responsibility for the administration of this Indenture.

"**Restricted Deposit Agreement**" means the amended and restated deposit agreement for restricted securities dated as of July 1, 2019 by and among the Company, the ADS Depositary and the holders and beneficial owners of the restricted ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

"**Restricted Securities**" shall have the meaning specified in Section 2.05(c).

"**Rule 144**" means Rule 144 as promulgated under the Securities Act.

"**Rule 144A**" means Rule 144A as promulgated under the Securities Act.

"**Rule 144A Notes**" means the notes initially offered and sold pursuant to Rule 144A.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Scheduled Trading Day**" means a day that is scheduled to be a Trading Day.

"**Significant Subsidiary**" means a Subsidiary of the Company that meets the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act. Each of the Company's Consolidated Variable Interest Entities will be deemed to be a "subsidiary" for purposes of the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X.

"**Spin-Off**" shall have the meaning specified in Section 14.04(c).

"**Subsidiary**" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

"**Successor Company**" shall have the meaning specified in Section 11.01(a).

"**Trading Day**" means a day on which (i) trading in the ADSs (or other security for which a closing sale price must be determined) generally occurs on The New York Stock Exchange or, if the ADSs (or such other security) are not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded and (ii) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; *provided* that if the ADSs (or such other security) are not so listed or traded, "Trading Day" means a Business Day.

"**transfer**" shall have the meaning specified in Section 2.05(c) and Section 2.05(e), as applicable.

"**Trigger Event**" shall have the meaning specified in Section 14.04(c).

"**Trust Indenture Act**" means the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided*, *however*, that in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term "Trust Indenture Act" shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

"**Trustee**" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"**unit of Reference Property**" shall have the meaning specified in Section 14.07(a).

"**U.S. Person**" shall have the meaning as such term is defined under Regulation S.

"**Valuation Period**" shall have the meaning specified in Section 14.04(c).

Section 1.02 *References to Interest*. Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

ARTICLE 2
ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

Section 2.01 *Designation and Amount*. The Notes shall be designated as the "1.00% Convertible Senior Notes due 2026." The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to US$345,000,000, subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 14.02 and Section 15.04.

Section 2.02 *Form of Notes*. The Notes and the Trustee's certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Depositary, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect redemptions, repurchases, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of the Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Registrar in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03 *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts*. (a) The Notes shall be issuable in registered form without coupons in denominations of US$1,000 principal amount and integral multiples thereof. Each Note shall be dated the date of its authentication and shall bear interest from, and including, the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of actual days elapsed over a 30-day month.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. Interest shall be payable at the office or agency of the Company maintained by the Company for such purposes in the Borough of Manhattan, The City of New York, which shall initially be the Corporate Trust Office, or, if any Note is a Global Note, in accordance with the procedures of the Depositary. The Company shall pay or cause the Paying Agent to pay interest (i) on any Physical Notes (A) to Holders holding Physical Notes having an aggregate principal amount of US$5,000,000 or less, by check mailed (at the Company's expense) to the Holders of these Notes at their address as it appears in the Note Register and (B) to Holders holding Physical Notes having an aggregate principal amount of more than US$5,000,000, either by check mailed (at the Company's expense) to such Holders or, upon application by such Holder to the Paying Agent not later than the relevant Regular Record Date, by wire transfer in immediately available funds to that Holder's account within the United States, which application shall remain in effect until the Holder notifies, in writing, the Paying Agent to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depositary or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate per annum borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee in its sole discretion shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee in writing of such special record date and the Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Amounts and the special record date therefor to be mailed, first-class postage prepaid (at the Company's expense), to each Holder at its address as it appears in the Note Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Amounts and the special record date therefor having been so mailed, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c).

(ii) The Company may make payment of any Defaulted Amounts in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04 *Execution, Authentication and Delivery of Notes*. The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chief Executive Officer,, Chief Financial Officer, Treasurer, Secretary or any of its Executive or Senior Vice Presidents. With the delivery of this Indenture, the Company is furnishing, and from time to time thereafter may furnish, a certificate substantially in the form of Exhibit B (an "**Authorization Certificate**") identifying and certifying the incumbency and specimen (and/or facsimile) signatures of its active authorized Officers. Until the Trustee receives a subsequent Authorization Certificate, the Trustee shall be entitled to conclusively rely on the last Authorization Certificate delivered to it for purposes of determining the relevant authorized Officers. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Opinion of Counsel contemplated in the immediately following paragraph, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder. The Company Order shall specify the amount of Notes to be authenticated (including the initial amount of Rule 144A Notes and the initial amount of Regulation S Notes), the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. The Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order).

The Trustee shall have the right to decline to authenticate and deliver any Notes under this Section (a) unless and until it receives from the Company a Company Order instructing it to so authenticate and deliver such Notes and, if requested by the Trustee, an Officers' Certificate and an Opinion of Counsel in accordance with Section 17.06 hereof, and including a statement that the Notes, when authenticated and delivered by the Trustee, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions; (b) if the Trustee determines that such action may not lawfully be taken; or (c) if the Trustee determines that such action would expose to Trustee to personal liability, unless indemnity and/or security and/or pre-funding reasonably satisfactory to the Trustee against such liability is provided to the Trustee and the Note Registrar.

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Note attached as Exhibit A hereto, executed manually by an authorized officer of the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05 *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary*. (a) The Company shall cause to be kept at the Corporate Trust Office a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the "**Note Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. Deutsche Bank Trust Company Americas is hereby initially appointed the "**Note Registrar**" and "**Trustee**" for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, to the Trustee, the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note to the Trustee, the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by Section 2.05(c).

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co-Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Note Registrar, any co-Note Registrar or the Paying Agent for any exchange or registration of transfer of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp, issue, transfer or similar tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer. The Company shall pay the ADS Depositary's fees for issuance of the ADSs.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion, (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15 or (iii) any Notes selected for redemption in accordance with Article 16.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

The Trustee shall have no responsibility or obligation to any direct or indirect participant or any other Person with respect to the accuracy of the books or records, or the acts or omissions, of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any direct or indirect participant or other Person (other than the Depositary and any other registered Holder of Notes) of any notice (including any notice of redemption pursuant to Article 16) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depositary subject to the customary procedures of the Depositary. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its direct or indirect participants.

Neither the Trustee nor the Note Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among direct or indirect participants in any Global Note) other than to require delivery of such certificates as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(b) So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a "**Global Note**") registered in the name of the Depositary or the nominee of the Depositary. The transfer and exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depositary in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05(c) (together with any ADSs (including the Ordinary Shares represented thereby) delivered upon conversion of the Notes that are required to bear the legend set forth in Section 2.05(d), collectively, the "**Restricted Securities**") shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c) and Section 2.05(d), the term "**transfer**" encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the "**Resale Restriction Termination Date**") that is the later of (1) the date that is one year after the last date of original issuance of the Notes, or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing such Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Ordinary Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 under the Securities Act or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULES 144 UNDER THE SECURITIES ACT OR CONTRACTUALLY RESTRICTED SECURITIES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH
THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) NOT A U.S. PERSON AND LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT, AND HAS NOT BEEN FOR THE IMMEDIATELY PRECEDING THREE MONTHS, AN AFFILIATE OF QUDIAN INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION HEREOF AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY, OR A BENEFICIAL INTEREST HEREIN.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall be entitled to instruct the Trustee, as custodian for Cede & Co., in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Trustee shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee in writing upon the occurrence of the Resale Restriction Termination Date and after a registration statement, if any, with respect to the Notes or the ADSs (including the Ordinary Shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary and (ii) for transfers of portions of a Global Note in certificated form made upon request of a member of, or a participant in, the Depositary (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with this Section 2.05(c).

The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depositary with respect to each Global Note. Initially, each Global Note shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with Deutsche Bank Trust Company Americas as custodian for Cede & Co.

If (i) the Depositary notifies the Company at any time that the Depositary is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days, (ii) the Depositary ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days or (iii) an Event of Default with respect to the Notes has occurred and is continuing and a beneficial owner of any Note requests that its beneficial interest therein be issued as a Physical Note, the Company shall execute, and the Trustee, upon receipt of the Opinion of Counsel contemplated by Section 2.04 and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause (iii), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Note Registrar such Global Notes shall be cancelled.

Physical Notes issued in exchange for all or a part of the Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Note Registrar in writing. Upon execution and authentication, the Note Registrar shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, cancelled, repurchased, redeemed or transferred, such Global Note shall be, upon receipt thereof, cancelled by the Note Registrar in accordance with standing procedures and existing instructions of the Depositary. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, cancelled, repurchased, redeemed or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and existing instructions of the Depositary, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Note Registrar, to reflect such reduction or increase.

None of the Company, the Trustee, the Paying Agent, any agent of the Company or any agent of the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Ordinary Shares represented thereby) issued upon conversion of such Note shall bear a legend in substantially the following form (unless the Note or such ADSs (including the Ordinary Shares represented thereby) has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or such ADS or the Ordinary Shares represented thereby have been issued upon conversion of Notes that have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 under the Securities Act or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company with written notice thereof to the Note Registrar and any transfer agent for the ADSs):

THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT OR CONTRACTUALLY RESTRICTED SECURITIES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) NOT A U.S. PERSON AND LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF QUDIAN INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY OR A BENEFICIAL INTEREST THEREIN.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the transfer agent for the ADSs and the Restricted Deposit Agreement, as applicable, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

(e) Any Note or ADS delivered upon the conversion or exchange of any Note that is repurchased or owned by any Affiliate of the Company may not be resold by such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note or ADS, as the case may be, no longer being a "restricted security" (as defined under Rule 144 under the Securities Act). The Company shall cause any Note that is repurchased or owned by it to be surrendered to the Note Registrar for cancellation in accordance with Section 2.08.

(f) Until the Resale Restriction Termination Date, prior to any sale of Regulation S Notes, the ADSs deliverable upon conversion thereof or the Ordinary Shares represented thereby, to a qualified institutional buyer in compliance with Rule 144A, the Holder thereof shall deliver to the Company, the Trustee and/or Depositary, as the case may be, written confirmation that the prospective purchaser is a Person such Holder reasonably believes is a "qualified institutional buyer" (within the meaning of Rule 144A) that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A.

Section 2.06 *Mutilated, Destroyed, Lost or Stolen Notes*. In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon receipt of a Company Order and the Opinion of Counsel contemplated in Section 2.04, the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company and to the Trustee such security and/or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee may authenticate any such substituted Note and deliver the same upon the receipt of such security and/or indemnity as the Trustee and the Company may require. No service charge shall be imposed by the Company, the Note Registrar, any co-Note Registrar or the Paying Agent upon the issuance of any substitute Note, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp, issue, transfer or similar tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or is about to mature or has been surrendered for repurchase (and not withdrawn) in accordance with Article 15 or has been selected for redemption in accordance with Article 16 or is about to be converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company and to the Trustee such security and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company, and the Trustee evidence of their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement, payment, redemption, conversion or repurchase of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement, payment, redemption, conversion or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07 *Temporary Notes*. Pending the preparation of Physical Notes, the Company may execute and the Trustee shall, upon receipt of a Company Order and Opinion of Counsel contemplated in Section 2.04, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee shall upon receipt of a Company Order authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08 *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries or Affiliates), to be delivered and surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be cancelled promptly by it, and no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of cancelled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such cancellation and disposition to the Company, at the Company's written request in a Company Order.

Section 2.09 *CUSIP Numbers*. The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; *provided* that the Trustee shall have no liability for any defect in "CUSIP" numbers as they appear on any Note or notice and any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change in the "CUSIP" numbers. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different "CUSIP" numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same "CUSIP" number.

Section 2.10 *Additional Notes; Repurchases*. The Company may, without the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms as the Notes initially issued hereunder (except for any differences in the issue price, the issue date and interest accrued, if any, and, if applicable, restrictions on transfer in respect of such additional Notes) in an unlimited aggregate principal amount; *provided* that if any such additional Notes are not fungible with the Notes initially issued hereunder for U.S. federal income tax or securities law purposes, such additional Notes
shall have a separate CUSIP number from both the Rule 144A Notes and the Regulation S Notes. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officers' Certificate and an Opinion of Counsel, such Officers' Certificate and Opinion of Counsel to cover such matters, in addition to those required by Sections 17.06 and 2.04, as the Trustee shall reasonably request. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or through its Subsidiaries or through a private or public tender or exchange offer or through counterparties to private agreements. The Company shall cause any Notes so repurchased to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and upon receipt of a Company Order, the Trustee shall cancel all Notes so surrendered and such Notes shall no longer be considered outstanding under this Indenture upon their repurchase. The Company may also enter into cash-settled swaps or other derivatives with respect to the Notes. For the avoidance of doubt, any Notes underlying such cash-settled swaps or other derivatives shall not be required to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and will continue to be considered outstanding for purposes of this Indenture, subject to the provisions of Section 8.04.

ARTICLE 3
SATISFACTION AND DISCHARGE

Section 3.01 *Satisfaction and Discharge*. This Indenture shall upon request of the Company contained in an Officers' Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than (x) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.06 and (y) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 4.04(d)) have been delivered to the Trustee for cancellation; or (ii) the Company has deposited with the Trustee or delivered to Holders, as applicable, after the Notes have become due and payable, whether on the Maturity Date, a Redemption Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon conversion or otherwise, cash and/or (solely to satisfy the Company's Conversion Obligation, if applicable) ADSs sufficient to pay all of (or satisfy such Conversion Obligation in respect of) the outstanding Notes and all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4
PARTICULAR COVENANTS OF THE COMPANY

Section 4.01 *Payment of Principal and Interest*. The Company covenants and agrees that it will cause to be paid the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02 *Maintenance of Office or Agency*. The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency (which will be the Corporate Trust Office initially) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase ("**Paying Agent**") or for conversion ("**Conversion Agent**"). The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms "**Paying Agent**" and "**Conversion Agent**" include any such additional or other offices or agencies, as applicable.

The Company hereby initially designates Deutsche Bank Trust Company Americas as the Paying Agent, Note Registrar and Conversion Agent and the Corporate Trust Office and the office or agency of Deutsche Bank Trust Company Americas in the Borough of Manhattan, The City of New York, each shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

Section 4.03 *Appointments to Fill Vacancies in Trustee's Office*. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a trustee, so that there shall at all times be a trustee hereunder.

Section 4.04 *Provisions as to Paying Agent*. (a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held.

The Company shall, on or before each due date of the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum sufficient to pay such principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) or accrued and unpaid interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; *provided* that such deposit must be received by the Paying Agent by 10:00 a.m., New York City time, one Business Day prior to the relevant due date. The Paying Agent shall not be bound to make any payment until it has received, in immediately available and cleared funds, an amount which shall be sufficient to pay, as applicable, the aggregate amount of principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes when such principal or interest shall become due and payable. The Paying Agent shall not be responsible or liable for any delay in making the payment if it does not receive funds before 10:00 a.m. one Business Day prior to the payment date. The Company shall use reasonable efforts to procure that, before 10:00 a.m., New York City time, on the second Business Day before each payment date, the bank effecting payment for it has confirmed by email or facsimile to the Paying Agent the payment instructions relating to such payment.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable. Upon an Event of Default under Section 6.01(i) or Section 6.01(j) hereof, the Trustee shall automatically become the Paying Agent.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held by the Company in trust or by any Paying Agent as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts.

(d) Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, any Note and remaining unclaimed for two years after such principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) or interest has become due and payable shall be paid or delivered, as the case may be, to the Company on request of the Company contained in an Officers' Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided*, *however*, that the Trustee or such Paying Agent, before being required to make any such repayment or delivery, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid or delivered to the Company.

Section 4.05 *Existence*. Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence. The Company shall promptly provide the Trustee with written notice of any change to its name, jurisdiction of incorporation or change to its corporate organization.

Section 4.06 *Rule 144A Information Requirement and Annual Reports*. (a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes, any ADSs deliverable upon conversion thereof or any Ordinary Shares underlying ADSs deliverable upon conversion thereof shall, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or the ADSs deliverable upon conversion of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or ADSs pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request to the extent from time to time required to enable such Holder or beneficial owner to sell such Notes or ADSs in accordance with Rule 144A, as such rule may be amended from time to time.

(b) The Company shall provide to the Trustee within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any applicable grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's EDGAR system (or any successor thereto) shall be deemed to be provided to the Trustee for purposes of this Section 4.06(b) at the time such documents are filed via the EDGAR system (or any successor thereto). The Trustee shall have no obligation to determine if and when the Company's statements or reports are publically available and/or accessible electronically.

(c) Delivery of the reports and documents described in subsection (b) above to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months after the last date of original issuance of the Notes, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after (i) giving effect to all applicable grace periods thereunder and (ii) other than reports on Form 6-K to the extent such reports are not required to satisfy the "current public information" requirement of Rule 144), or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (as a result of restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes), the Company shall pay or cause the Paying Agent (on behalf of the Company and subject to receipt of funds from the Company pursuant to the last paragraph in Section 4.04(a)) to pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or the period during which the Notes are not freely tradable, as the case may be, by Holders other than Affiliates of the Company (or Holders that were Affiliates of the Company during the three months immediately preceding). As used in this Section 4.06(d), documents or reports that the Company is required to "file" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act does not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes) as of the 370th day after the last date of original issuance of the Notes, the Company shall pay or cause the Paying Agent (on behalf of the Company and subject to receipt of funds from the Company pursuant to the last paragraph in Section 4.04(a)) to pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of Notes outstanding until the restrictive legend on the Notes has been removed in accordance with Section 2.05(c), the Notes have been assigned an unrestricted CUSIP and the Notes are freely tradable by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes).

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(g) The Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. In no event shall Additional Interest accrue on any day under the terms of this Indenture (taking any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e) together with any Additional Interest payable pursuant to Section 6.03) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid such Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officers' Certificate setting forth the particulars of such payment.

Section 4.07 *Additional Amounts*. (a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), premium, if any, payments of interest, including any Additional Interest, and deliveries of ADSs or any other consideration due on conversion of a Note (together with payments of cash for any Fractional ADS or other consideration), shall be made without withholding, deduction or reduction for any other collection at source for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied (including any penalties and interest related thereto) ("**applicable taxes**") unless such withholding, deduction or reduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding, deduction or reduction is so required by or within (1) the Cayman Islands or the People's Republic of China, (2) any jurisdiction in which the Company or any successor are, for tax purposes, incorporated, organized or resident or doing business or (3) any jurisdiction from or through which payment is made or deemed made (each of (1), (2) and (3), and in each case, any political subdivision or taxing authority thereof or therein, as applicable, a "**Relevant Taxing Jurisdiction**"), the Company or any successor to the Company shall pay or deliver to each Holder such additional amounts of cash, ADSs or other consideration, as applicable ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owner of the Notes after such withholding, deduction or reduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such beneficial owner had no such withholding, deduction or reduction been required; *provided* that no Additional Amounts shall be payable:

(1) for or on account of:

(A) any applicable taxes that would not have been imposed but for:

(i) the existence of any present or former connection between the relevant Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely acquiring or holding such Note, receiving ADSs (together with payment of cash for any Fractional ADS) or other consideration upon conversion of such Note or the receipt of payments or the exercise or enforcement of rights thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Redemption Price, the Repurchase Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or the delivery of ADSs (together with payment of cash for any Fractional ADS) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for (except to the extent that the Holder or beneficial owner would have been entitled to additional amounts had the Note been presented on the last day of such 30 day period); or

(iii) the failure of the Holder or beneficial owner to comply with a timely written request from the Company or any successor of the Company, addressed to the Holder, to the extent such Holder or beneficial owner is legally entitled, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; *provided* that, in the case of applicable taxes imposed by the People's Republic of China, the provision of any certification, information, documents, or other evidence described in this clause (1)(A)(iii) would not be materially more onerous, in form, in procedure, or in the substance of information disclosed, to a Holder or beneficial owner than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-8BEN-E and W-9, or any successor forms), and reasonable procedure for the collection of such documentation has been implemented and is in effect at the time that such written request is received;

(B) any estate, inheritance, gift, sale, transfer, personal property or similar applicable tax or excise tax imposed on transfer of the Notes;

(C) any applicable tax that is payable otherwise than by withholding, deduction or any other collection at source from payments or deliveries under or with respect to the Notes;

(D) any applicable tax required to be withheld or deducted under Sections 1471 to 1474 of the Code (or any amended or successor versions of such Sections that is substantively comparable and not materially more onerous to comply with) ("**FATCA**"), any regulations or other official guidance thereunder, any intergovernmental agreement or agreement pursuant to Section 1471(b)(1) of the Code entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement; or

(E) any combination of applicable taxes referred to in the preceding clauses (A), (B), (C) or (D); or

(2) with respect to any payment of the principal of (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable), premium, if any, or interest, including any Additional Interest, on, such Note or the delivery of ADSs (together with payment of cash for any Fractional ADS) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment or delivery to the extent that such payment or delivery would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) The Company or its successor shall pay and indemnify each Holder and beneficial owner for any present or future stamp, issue, registration, value added, court or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Relevant Taxing Jurisdiction (and in the case of enforcement, any jurisdiction) on the execution, delivery, registration or enforcement of any of the Notes, this Indenture or any other document or instrument referred to therein or the receipt of payments with respect thereto (including the receipt of ADSs (together with payment of cash for any fractional ADS) or other consideration due upon conversion).

(c) If the Company or its successor becomes obligated to pay Additional Amounts with respect to any payment or delivery under or with respect to the Notes, the Company or its successor shall deliver to the Trustee and the Paying Agent, if other than the Trustee, on a date that is at least 30 days prior to the date of that payment or delivery (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment or delivery date, in which case the Company or its successor shall notify the Trustee and the Paying Agent promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent or the Trustee, as the case may be, (on behalf of the Company and subject to receipt of funds from the Company pursuant to the last paragraph in Section 4.04(a)) to pay Additional Amounts to Holders on the relevant payment or delivery date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that payments are necessary and that the estimate of such Additional Amounts set forth in such Officers' Certificate is accurate. The Company or its successor shall provide the Trustee and the Paying Agent with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(d) The Company or its successor shall make all withholdings and deductions required by law and shall remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Company or its successor shall provide to the Trustee a certified copy of an official receipt or, if official receipts are not obtainable, other documents reasonably satisfactory to the Trustee evidencing the payment of any applicable taxes so deducted or withheld. The Company or its successor will attach to each certified copy or other document a certificate stating the amount of such applicable taxes paid per $1,000 principal amount of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, shall be made available by the Trustee to the Holders of the Notes upon written request.

(e) Any reference in this Indenture or the Notes in any context to the delivery of ADSs (together with payment of cash for any Fractional ADS) or other consideration upon conversion of any Note or the payment of principal of (including the Redemption Price, the Repurchase Price and Fundamental Change Repurchase Price, if applicable) and any premium or interest (including any Additional Interest) on any Note or any other amount payable with respect to such Note, shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 4.07.

(f) The foregoing obligations shall survive termination, defeasance or discharge of this Indenture or any transfer by a Holder or beneficial owner of its Notes and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Company is then, for tax purposes, incorporated, organized or resident or doing business (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment under or with respect to the Notes is made or deemed made by or on behalf of such successor (or any political subdivision or taxing authority thereof or therein).

Section 4.08 *Stay, Extension and Usury Laws*. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09 *Compliance Certificate; Statements as to Defaults*. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2019) an Officers' Certificate stating that a review has been conducted of the Company's activities under this Indenture and the Company has fulfilled its obligations hereunder, and whether the authorized Officers thereof have knowledge of any Default by the Company that occurred and is continuing and, if so, specifying each such Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 days after the Company becomes aware of the occurrence of any Default, an Officers' Certificate setting forth the details of such Default, its status and the action that the Company is taking or proposing to take in respect thereof. The Trustee shall have no responsibility to take any steps to ascertain whether any Event of Default or Default has occurred, and until (i) a Responsible Officer of the Trustee has received an Officers' Certificate regarding such an occurrence, or (ii) the Trustee has received written notice at the Corporate Trust Office from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding regarding such an occurrence, the Trustee is entitled to assume, without liability, that no Event of Default or Default has occurred.

Section 4.10 *Further Instruments and Acts*. The Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE 5
LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01 *Lists of Holders*. The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 15 days after each May 15 and November 15 in each year beginning with November 15, 2019, and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Deutsche Bank Trust Company Americas is acting as Note Registrar.

Section 5.02 *Preservation and Disclosure of Lists*. The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default*. The following events shall be "**Events of Default**" with respect to the Notes:

(a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable and the default continues for a period of 30 days;

(b) default in the payment of principal of any Note when due and payable on the Maturity Date, upon redemption, upon any required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to comply with its obligation to convert the Notes in accordance with this Indenture upon exercise of a Holder's conversion right and such failure continues for a period of three Business Days;

(d) failure by the Company to issue notices in connection with redemption in respect of a Change in Tax Law in accordance with Section 16.01 or Section 14.03(g), a Company Notice in accordance with Section 15.01(a), a Fundamental Change Company Notice in accordance with Section 15.02(c) or a notice of a Make-Whole Fundamental Change in accordance with Section 14.03(a), in each case, when due and such failure continues for a period of five Business Days;

(e) failure by the Company to comply with its obligations under Article 11;

(f) failure by the Company for 60 days after written notice from the Trustee or by the Trustee at the request of the Holders of at least 25% in aggregate principal amount of the Notes then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of US$25 million (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise;

(h) a final judgment for the payment of US$25 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) rendered against the Company or any Significant Subsidiary of the Company, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

Section 6.02 *Acceleration; Rescission and Annulment*. If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Trustee may by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04, by notice in writing to the Company and to the Trustee may, and the Trustee at the written request of such Holders shall (subject to being indemnified and/or secured and/or pre-funded to its reasonable satisfaction), declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable, notwithstanding anything contained in this Indenture or in the Notes to the contrary. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, 100% of the principal of, and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Trustee and the Holders. If an Event of Default occurs and is continuing, all agents of the Company appointed under this Indenture will be required to act on the direction of the Trustee.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes *plus* one percent) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal of, or accrued and unpaid interest on, any Notes, (ii) a failure to repurchase any Notes when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes.

Section 6.03 *Additional Interest*. Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall after the occurrence of such an Event of Default consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to:

(a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred; and

(b) if such Event of Default has not been cured or validly waived prior to the 181st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 181st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 271st day immediately following, and including, the date on which such Event of Default first occurred.

Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). In no event shall Additional Interest accrue on the Notes on any day under this Indenture (taking any Additional Interest payable pursuant to this Section 6.03 together with any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e)) at an annual rate accruing in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations. If the Company so elects, such Additional Interest shall be payable in the same manner and on the same dates as regular interest on the Notes. On the 271st day after such Event of Default (if the Event of Default with respect to the Company's obligations under Section 4.06(b) is not cured or waived prior to such 271st day), the Notes will be subject to acceleration as provided in Section 6.02. In the event the Company does not elect to pay Additional Interest following an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 180 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify in writing all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 180-day period. Upon the failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

Section 6.04 *Payments of Notes on Default; Suit Therefor*. If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee acting in its own discretion or at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04 and subject to indemnity and/or security and/or pre-funding reasonably satisfactory to the Trustee, pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time *plus* one percent, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, properly incurred expenses, properly incurred disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for compensation, properly incurred expenses, advances and properly incurred disbursements, including agents and counsel fees and expenses, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of compensation, properly incurred expenses, advances and properly incurred disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name or as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the compensation, properly incurred expenses, properly incurred disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05 *Application of Monies Collected by Trustee*. Any monies collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due to the Trustee, including to its agents and counsel, hereunder and any payments due to the Paying Agent, the Conversion Agent and the Note Registrar;

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, the Notes in default in the order of the date due of the payments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time (including, without duplication, any additional interest on such overdue payments pursuant to Section 6.04), such payments to be made ratably to the Persons entitled thereto;

Third, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including, if applicable, the payment of the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price and any cash due upon conversion) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time *plus* one percent, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including, if applicable, the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price and the cash due upon conversion) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including, if applicable, the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price) and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company.

Section 6.06 *Proceedings by Holders*. Except to enforce the right to receive payment of principal (including, if applicable, the Redemption Price, the Repurchase Price or Fundamental Change Repurchase Price) or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

(a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;

(b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder;

(c) such Holders shall have offered to the Trustee such security and/or indemnity and/or pre-funding reasonably satisfactory to it against any loss, liability or expense to be incurred therein or thereby;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of security and/or indemnity and/or pre-funding, shall have neglected or refused to institute any such action, suit or proceeding; and

(e) no written direction that, in the opinion of the Trustee, is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09, it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein), it being understood that the Trustee shall have no obligation to determine whether any action or inaction would prejudice the rights of any Holder. For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment or delivery, as the case may be, of (x) the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, (y) accrued and unpaid interest on, and (z) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Section 6.07 *Proceedings by Trustee*. In case of an Event of Default, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 6.08 *Remedies Cumulative and Continuing*. Except as provided in the last paragraph of Section 2.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09 *Direction of Proceedings and Waiver of Defaults by Majority of Holders*. The Holders of a majority of the aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to Notes; *provided*, *however*, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Trustee may refuse to follow any direction that would involve the Trustee in personal liability, or if it is not provided with security and/or indemnity and/or pre-funding to its reasonable satisfaction, or that the Trustee determines is unduly prejudicial to the rights of any other Holder. In addition, the Trustee will not be required to expend its own funds under any circumstances. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences except (i) a default in the payment of accrued and unpaid interest on, or the principal (including, if applicable, the Redemption Price, Repurchase Price or Fundamental Change Repurchase Price) of, the Notes when due that has not been cured pursuant to the provisions of Section 6.02, (ii) a failure by the Company to pay or deliver, or cause to be delivered, as the case may be, the consideration due upon conversion of the Notes or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10 *Notice of Defaults and Events of Default*. If a Default or Event of Default occurs and is continuing and is notified in writing to the Trustee, the Trustee shall, within 90 days after the occurrence and continuance of such Default or Event of Default or, if later, within 15 days after written notice thereof is provided to the Trustee, mail to all Holders (at the Company's expense) as the names and addresses of such Holders appear upon the Note Register, notice of all Defaults so notified in writing, unless such Defaults shall have been cured or waived before the giving of such notice; *provided* that the Trustee shall not be deemed to have knowledge of any occurrence of a Default or Event of Default unless it has received written notice thereof, with a reference to this Indenture. Except in the case of a Default in the payment of the principal of (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable), or accrued and unpaid interest on, any of the Notes or a Default in the payment or delivery of the consideration due upon conversion, the Trustee shall be protected in withholding such notice if and so long as the Trustee (in its sole discretion) in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11 *Undertaking to Pay Costs*. All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess costs, including attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest on any Note (including, but not limited to, the Redemption Price and the Repurchase Price and Fundamental Change Repurchase Price with respect to the Notes being repurchased as provided in this Indenture) on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note in accordance with the provisions of Article 14.

ARTICLE 7
CONCERNING THE TRUSTEE

Section 7.01 *Duties and Responsibilities of Trustee*. The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default, of which the Trustee has actual written notice, has occurred that has not been cured or waived the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs; *provided* that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or pre-funding reasonably satisfactory to it against any loss, liability or expense that might be incurred by it in compliance with such request or direction. The Trustee shall not be deemed to have knowledge of any Event of Default unless it has received an actual written notice thereof.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of gross negligence and willful misconduct on the part of the Trustee, as proven in a non-appealable decision of a court of competent jurisdiction, the Trustee may conclusively and without liability rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts, statements, opinions or conclusions stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved in a non-appealable decision in a court of competent jurisdiction that the Trustee was grossly negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively and without liability rely on its failure to receive such notice as reason to act as if no such event occurred;

(g) *[RESERVED]*;

(h) in the event that the Trustee is also acting as Note Registrar, Paying Agent or Conversion Agent hereunder, the rights, immunities, privileges, disclaimers from liability and protections (including the right to compensation and indemnity) afforded to the Trustee pursuant to this Article 7 shall also be afforded to such Note Registrar, Paying Agent or Conversion Agent;

(i) the Trustee shall have no duty to inquire, no duty to determine and no duty to monitor as to the performance of the Company's covenants in this Indenture or the financial performance of the Company; the Trustee shall be entitled to assume, until it has received written notice in accordance with this Indenture, that the Company is properly performing its duties hereunder;

(j) *[RESERVED];*

(k) the Trustee will be under no obligation to exercise any of its rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or pre-funding reasonably satisfactory to it against any costs, expenses and liabilities that might be incurred by it in compliance with such requests or direction.

(l) before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel prepared and delivered at the cost of the Company conforming to Section 17.06 and the Trustee and the Agents may rely conclusively on such certificate or opinion and will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel;

(m) in connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any country, state or territory; and

(n) the Trustee is not obliged to do or omit to do anything which in its reasonable opinion, would or may be illegal or would constitute a breach of any fiduciary duty or duty of confidentiality, or any law, rule, regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organization to which the Trustee is subject. The Trustee may without liability do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulations.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02 *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) the Trustee may conclusively and without liability rely and shall be fully protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, Note, coupon or other paper or document (whether in its original or facsimile form) believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel and require an Opinion of Counsel and any advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, delegates, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, delegate, representative, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties;

(g) under no circumstances and notwithstanding any contrary provision included herein, neither the Trustee, the Paying Agent, the Conversion Agent nor the Note Registrar shall be responsible or liable for special, indirect, punitive, or consequential damages or loss of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether any of them have been advised of the likelihood of such loss or damage and regardless of the form of action; this provision shall remain in full force and effect notwithstanding the discharge of the Notes, the termination of this Indenture or the resignation, replacement or removal of the Trustee, the Paying Agent, the Conversion Agent and the Note Registrar;

(h) the Trustee, the Paying Agent, the Conversion Agent and the Note Registrar may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, of New York; furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or New York or if, in its opinion based on such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or in New York or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power;

(i) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(j) the Trustee may request that the Company deliver Officers' Certificates setting forth the names of individuals and their titles and specimen signatures of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificates may be signed by any Person authorized to sign an Officers' Certificate, as the case may be, including any Person specified as so authorized in any such certificate previously delivered and not superseded;

(k) the Trustee shall not be responsible or liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers;

(l) the Trustee shall not be responsible for any inaccuracy in the information obtained from the Company or for any inaccuracy or omission in the records which may result from such information or any failure by the Trustee to perform its duties as set forth herein as a result of any inaccuracy or incompleteness of such information; and

(m) neither the Trustee nor any agent thereof shall have any responsibility or liability for any actions taken or not taken by the Depositary.

Section 7.03 *No Responsibility for Recitals, Etc.* The recitals, statements, warranties and representations contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the accuracy or correctness of the same or for any failure by the Company or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information, or the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture. Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Section 7.04 *Trustee, Paying Agents, Conversion Agents or Note Registrar May Own Notes*. The Trustee, any Paying Agent, any Conversion Agent or Note Registrar, in its individual or any other capacity, may engage in business and contractual relationships with the Company or its Affiliates and may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent or Note Registrar, and nothing herein shall obligate any of them to account for any profits earned from any business or transactional relationship.

Section 7.05 *Monies to Be Held in Trust*. All monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust or by the Paying Agent hereunder need not be segregated from other funds except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any money received by it hereunder.

Section 7.06 *Compensation and Expenses of Trustee*. (a) The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company (which sum shall be paid free and clear of deduction and withholding on account of taxation, set-off and counterclaim), and the Company will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances properly incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the compensation and the properly incurred expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence or willful misconduct as proven in a non-appealable decision in a court of competent jurisdiction. The Company also covenants to indemnify the Trustee (which for the purposes of this Section 7.06 shall be deemed to include its officers, directors, agents, counsel and employees) in any capacity under this Indenture (including without limitation as Note Registrar, Conversion Agent and Paying Agent) and any other document or transaction entered into in connection herewith, and to hold it harmless against, any loss, claim, damage, liability or expense (whether arising from third party claims or claims by or against the Company) incurred without gross negligence or willful misconduct on the part of the Trustee, its officers, directors, agents, counsel or employees, as the case may be, as proven in a non-appealable decision of a court of competent jurisdiction, and arising out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the process of enforcing this indemnity. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The indemnity under this Section 7.06(a) is payable upon demand by the Trustee. The obligation of the Company under this Section 7.06(a) shall survive the satisfaction and discharge of the Notes, the termination or discharge of this Indenture and the resignation, replacement or removal or the Trustee. The indemnification provided in this Section 7.06(a) shall extend to the officers, directors, agents, counsel and employees of the Trustee. Subject to Section 7.02(e), any gross negligence or willful misconduct of any agent, delegate, attorney or representative, in each case, of the Trustee, shall not affect indemnification of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws. If a Default or Event of Default shall have occurred or if the Trustee finds it expedient or necessary or is requested by the Company and/or the Holders to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture, the Company will pay such additional remuneration as the Company and the Trustee may separately agree in writing.

The obligations of the Company under this paragraph (a) shall survive the payment of the Notes, the termination or discharge of the Indenture and the resignation, replacement or removal of the Trustee, the Paying Agent, the Conversion Agent and the Note Registrar.

(b) The Paying Agent, the Conversion Agent and the Note Registrar shall be entitled to the compensation to be agreed upon in writing with the Company for all services rendered by it under this Indenture, and the Company agrees promptly to pay such compensation and to reimburse the Paying Agent, the Conversion Agent and the Note Registrar for its out-of-pocket expenses (including fees and expenses of counsel) properly incurred by it in connection with the services rendered by it under this Indenture.

Section 7.07 *[Reserved.]*

Section 7.08 *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least US$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09 *Resignation or Removal of Trustee*. (a) The Trustee may at any time resign by giving 30 days written notice of such resignation to the Company and by mailing notice thereof to the Holders at their addresses as they shall appear on the Note Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation to the Holders, the resigning Trustee may at the expense of the Company petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may at any time remove the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10 *Acceptance by Successor Trustee*. Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due to it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall mail or cause to be mailed notice of the succession of such trustee hereunder to the Holders at their addresses as they shall appear on the Note Register. If the Company fails to mail such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 7.11 *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided*, *however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12 *Trustee's Application for Instructions from the Company*. Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer that the Company has indicated to the Trustee should receive such application actually receives such application, unless any such officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8
CONCERNING THE HOLDERS

Section 8.01 *Action by Holders*. Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02 *Proof of Execution by Holders*. Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03 *Who Are Deemed Absolute Owners*. The Company, the Trustee, any Paying Agent, any Conversion Agent and any Note Registrar may deem the Person in whose name a Note shall be registered upon the Note Register to be, and may treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal of and (subject to Section 2.03) accrued and unpaid interest on such Note, for the purpose of conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note.

Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any Holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depositary or any other Person, such Holder's right to exchange such beneficial interest for a Note in certificated form in accordance with the provisions of this Indenture.

Section 8.04 *Company-Owned Notes Disregarded*. In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary or Consolidated Variable Interest Entity thereof or by any Affiliate of the Company or any Subsidiary or Consolidated Variable Interest Entity thereof shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes in respect of which a Responsible Officer is notified in writing shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish its right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary or Consolidated Variable Interest Entity thereof or an Affiliate of the Company or a Subsidiary or Consolidated Variable Interest Entity thereof. Within five days of acquisition of the Notes by any of the above described persons or entities or at the request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05 *Revocation of Consents; Future Holders Bound*. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9
HOLDERS' MEETINGS

Section 9.01 *Purpose of Meetings*. A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02 *Call of Meetings by Trustee*. The Trustee may (in its sole discretion and without obligation) at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be mailed to Holders of such Notes at their addresses as they shall appear on the Note Register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than 20 nor more than 90 days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03 *Call of Meetings by Company or Holders*. In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Company to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Company shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Trustee or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by mailing notice thereof as provided in Section 9.02.

Section 9.04 *Qualifications for Voting*. To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05 *Regulations*. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxyholder shall be entitled to one vote for each US$1,000 principal amount of Notes held or represented by him or her; *provided*, *however*, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Holders of the Notes, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Section 9.06 *Voting*. The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record shall show the principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07 *No Delay of Rights by Meeting*. Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10
SUPPLEMENTAL INDENTURES

Section 10.01 *Supplemental Indentures Without Consent of Holders*. The Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense and direction, may from time to time and at any time amend or supplement this Indenture or the Notes for one or more of the following purposes:

(a) to cure any ambiguity, omission, defect or inconsistency;

(b) to provide for the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes pursuant to Article 11;

(c) to add guarantees or any credit enhancements of similar nature with respect to the Notes;

(d) to secure the Notes;

(e) to add to the covenants or Events of Defaults of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;

(f) upon the occurrence of any transaction or event described in Section 14.07(a), to (i) provide that the Notes are convertible into Reference Property, subject to Section 14.02, and (ii) effect the related changes to the terms of the Notes described under Section 14.07(a), in each case, in accordance with Section 14.07;

(g) to make any change that does not adversely affect the rights of any Holder;

(h) to comply with the rules of the Depositary, including the DTC;

(i) to evidence and provide for the acceptance of the appointment of a successor trustee in accordance with this Indenture; or

(j) to conform the provisions of this Indenture or the Notes to the "Description of the Notes" section of the Offering Memorandum.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such amendment or supplement to this Indenture or the Notes, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise. The Trustee shall seek an Officers' Certificate and an Opinion of Counsel, at the Company's expense, that any such amendment or supplement to this Indenture or the Notes is authorized and permitted by the terms of this Indenture, that all conditions precedent hereto have been satisfied, and that such supplemental Indenture or amendment is the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

Any amendment or supplement to this Indenture or the Notes authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02 *Supplemental Indentures with Consent of Holders*. With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided*, *however*, that, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

(a) reduce the amount of Notes whose Holders must consent to an amendment or waiver;

(b) alter the manner of calculation or rate of accrual of interest on any Note or change the time of payment of any instalment of interest on any Note;

(c) reduce the principal of or change the Maturity Date of any Note;

(d) make any change that adversely affects the conversion rights of any Notes;

(e) reduce the Repurchase Price payable on the Repurchase Date, the Fundamental Change Repurchase Price or the Redemption Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(f) make any Note payable in a currency other than U.S. dollars or change any Note's place of payment;

(g) change the ranking of the Notes;

(h) impair the right of any Holder to receive payment of principal and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Note;

(i) change the Company's obligation to pay Additional Amounts on any Note; or

(j) modify provisions with respect to modification, amendment or waiver (including waiver of events of default), except to increase the percentage required for modification, amendment or waiver or to provide for consent of each affected Holder of Notes.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless (i) the Trustee has not received an Officers' Certificate and an Opinion of Counsel that such supplemental indenture is authorized and permitted by the terms of this Indenture and not contrary to law or (ii) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holders do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any supplemental indenture becomes effective under Section 10.01 or Section 10.02, the Company shall mail to the Holders a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03 *Effect of Supplemental Indentures*. Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04 *Notation on Notes*. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee upon receipt of a Company Order and the Opinion of Counsel contemplated in Section 2.04 and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05 *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee*. In addition to the documents required by Section 17.06, the Trustee shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10, is permitted or authorized by this Indenture, is the valid and binding obligation of the Company and enforceable against it in accordance with its terms, and is not contrary to law.

ARTICLE 11
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01 *Company May Consolidate, Etc. on Certain Terms.* Subject to the provisions of Section 11.02, the Company shall not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of the consolidated assets of the Company, its Subsidiaries and its Consolidated Variable Interest Entities, taken as a whole, to another Person, unless:

(a) the resulting, surviving or transferee Person (the "**Successor Company**"), if not the Company, shall be a corporation organized and existing under the laws of the United States, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands or Bermuda and the Successor Company (if not the Company) shall expressly assume, by supplemental indenture, all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07);

(b) if the Company will not be the Successor Company, the Company shall have, at or prior to the effective date of such transaction, delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the execution and delivery of the supplemental indenture do not conflict with the requirements set forth in the Indenture and that all conditions precedent to the execution and delivery of such supplemental indenture have been satisfied and such opinion of counsel also stating that the Notes and this Indenture are the legal, valid, binding and enforceable obligations of the Successor Company;

(c) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture with respect to the Notes;

(d) the Company shall have undertaken commercially reasonable efforts to restructure the Notes so that, after giving effect to such transaction, any conversion of the Notes will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) thereof;

(e) if, upon the occurrence of any such transaction, (x) the Notes would become convertible pursuant to the terms of this Indenture into securities issued by an issuer other than the Successor Company, and (y) such Successor Company is a wholly owned subsidiary of the issuer of such securities into which the Notes have become convertible, such other issuer shall fully and unconditionally guarantee on a senior basis the Successor Company's obligations under the Notes; and

(f) other conditions specified in this Indenture are met.

For purposes of this Section 11.01, the sale, conveyance, transfer or lease of all or substantially all of the assets of one or more Subsidiaries or Consolidated Variable Interest Entities of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries or Consolidated Variable Interest Entities, would constitute all or substantially all of the assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the consolidated assets of the Company to another Person.

Section 11.02 *Successor Corporation to Be Substituted*. In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the Successor Company, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "Company" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03 *Opinion of Counsel to Be Given to Trustee*. No consolidation, merger, sale, conveyance, transfer or lease shall be effective unless the Trustee shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11, that all conditions precedent thereto have been satisfied and that the Notes and such supplemental indenture are the legal, valid and binding obligations of the Successor Company, enforceable against it in accordance with its terms, subject to customary assumptions, qualifications, and exceptions.

ARTICLE 12
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01 *Indenture and Notes Solely Corporate Obligations*. No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13
INTENTIONALLY OMITTED

ARTICLE 14
CONVERSION OF NOTES

Section 14.01 *Conversion Privilege*. Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is US$1,000 principal amount or an integral multiple thereof) of such Note at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date into ADSs at an initial conversion rate of 106.2756 ADSs (subject to adjustment as provided in this Article 14, the "**Conversion Rate**") per US$1,000 principal amount of Notes (subject to the settlement provisions of Section 14.02, the "**Conversion Obligation**").

Section 14.02 *Conversion Procedure; Settlement Upon Conversion*.

(a) Upon conversion of any Note, the Company shall cause to be delivered to the converting Holder, in respect of each US$1,000 principal amount of Notes being converted, a number of ADSs equal to the Conversion Rate in effect immediately prior to the close of business on the relevant Conversion Date, together with a cash payment, if applicable, in lieu of any fractional ADSs ("**Fractional ADSs**") (assuming delivery of the maximum number of ADSs due upon conversion that do not represent a fractional ADS) in accordance with subsection (j) of this Section 14.02, on the third Business Day immediately following the relevant Conversion Date; *provided* that, if a Conversion Date occurs (i) following the Regular Record Date immediately preceding the Maturity Date, subject to clause (ii) below, the Company shall cause such delivery (and payment, if applicable) to be made on the Maturity Date or (ii) after the Ordinary Shares have been replaced by the Reference Property consisting solely of cash in accordance with Section 14.07, the Company shall cause the consideration due in respect of the conversion to be paid to the converting Holder on the tenth Business Day immediately following the related Conversion Date. For the avoidance of doubt, neither the Trustee nor any Agent shall have any responsibility to deliver ADSs upon conversion of any Note to any person or deal with cash payments in relation to conversions.

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depositary in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h), and complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile thereof) (a "**Notice of Conversion**") and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable Notice of Conversion to the Conversion Agent at the specified office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any ADSs to be delivered upon settlement of the Conversion Obligation to be registered, (2) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the specified office of the Conversion Agent and the Trustee, (3) if required, furnish appropriate endorsements and transfer documents and (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h). The Trustee (and if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. No Notice of Conversion with respect to any Notes may be delivered and no Notes may be surrendered by a Holder for conversion thereof if such Holder has also delivered a Repurchase Notice or Fundamental Change Repurchase Notice to the Company in respect of such Notes and not validly withdrawn such Repurchase Notice or Fundamental Change Repurchase Notice in accordance with Section 15.03. A Notice of Conversion shall be deposited at the office of any Conversion Agent on any Business Day from 9:00 a.m. to 3:00 p.m. at the location of the Conversion Agent to which such Notice of Conversion is delivered. Any Notice of Conversion and any Physical Note (if issued) deposited outside the hours specified or on a day that is not a Business Day at the location of the Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent between 9:00 a.m. and 3:00 p.m. on the next Business Day.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered. None of the Agents of the Trustee shall have any responsibility whatsoever with respect to the issuance and delivery of the ADSs to the converting Holder.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the "**Conversion Date**") that the Holder has complied with the requirements set forth in subsection (b) above. The Company shall issue or cause to be issued, and deliver or cause to be delivered to such Holder, or such Holder's nominee or nominees, certificates or a book-entry transfer through the Depositary for the full number of ADSs to which such Holder shall be entitled in satisfaction of the Company's Conversion Obligation.

(d) In case any Note shall be surrendered for partial conversion, the Company shall execute and instruct the Trustee who shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp, issue, transfer or similar tax due on the delivery of the ADSs upon conversion of the Notes (or the issuance of the underlying Ordinary Shares), unless the tax is due because the Holder requests any ADSs (or such Ordinary Shares) to be issued in a name other than the Holder's name, in which case the Holder shall pay that tax. The Company may refuse to deliver the certificates representing the ADSs (or the Ordinary Shares) being issued in a name other than the Holder's name until the Company receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. The Company shall pay and/or indemnify each Holder and beneficial owners of Notes and/or ADSs issuable upon conversion of the Notes for applicable fees and expenses payable to, or withheld by, the ADS Depositary (including, for the avoidance of doubt, by means of a reduction in any amounts or property payable or deliverable in respect of any ADSs or in the value of deposited amounts or property represented by any ADSs) for the issuance of all ADSs deliverable upon conversion (including, with respect to any ADSs subject to restricted CUSIP and/or restrictive legends upon issuance, any of the foregoing with respect to the removal of any such restrictions from such ADSs).

(f) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs delivered upon the conversion of any Note as provided in this Article 14.

(g) Upon the conversion of an interest in a Global Note, the Trustee shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(h) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's settlement of the Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount of interest payable on the Notes so converted; provided that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Redemption Date that is after a Regular Record Date and on or prior to the second Business Day immediately succeeding the corresponding Interest Payment Date; (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the second Business Day immediately succeeding the corresponding Interest Payment Date; or (4) to the extent of any Defaulted Amounts, if any Defaulted Amounts exist at the time of conversion with respect to such Note. Therefore, for the avoidance of doubt, all Holders of record as of the close of business on the Regular Record Date immediately preceding the Maturity Date shall receive the full interest payment due on the Maturity Date in cash regardless of whether their Notes have been converted following such Regular Record Date.

(i) The Person in whose name the certificate for any ADSs delivered upon conversion is registered shall be treated as a holder of record of such ADSs as of the close of business on the relevant Conversion Date. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(j) The Company shall not issue any Fractional ADS upon conversion of the Notes and shall instead pay cash in lieu of any Fractional ADS deliverable upon conversion based on the Last Reported Sale Price of the ADSs on the relevant Conversion Date (or if such Conversion Date is not a Trading Day, the immediately preceding Trading Day).

(k) In accordance with the Deposit Agreement or the Restricted Deposit Agreement, as applicable, the Company shall issue to the ADS Custodian such Ordinary Shares required for the issuance of the ADSs upon conversion of the Notes, plus written delivery instructions (if requested by the ADS Depositary or the ADS Custodian) for such ADSs, and any other information or documentation and shall comply with the Deposit Agreement and the Restricted Deposit Agreement (as the case may be), in each case, as required by the ADS Depositary or the ADS Custodian in connection with each issue of Ordinary Shares and issuance and delivery of ADSs.

Section 14.03 *Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Change*. (a) If a Make-Whole Fundamental Change occurs prior to the Maturity Date and a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the "**Additional ADSs**"), as described below. A conversion of Notes shall be deemed for these purposes to be "in connection with" such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change). The Company shall provide written notification to Holders and the Trustee (and the Conversion Agent, if other than the Trustee) of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change, the Company shall cause to be delivered ADSs, including the Additional ADSs, in accordance with Section 14.02; *provided*, *however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per US$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment for Additional ADSs), *multiplied by* such ADS Price.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on the date on which the Make-Whole Fundamental Change occurs or becomes effective (the "**Effective Date**") and the price (the "**ADS Price**") paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change. If the holders of the ADSs receive in exchange for their ADSs only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, *multiplied by* a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs to be received per US$1,000 principal amount of Notes pursuant to this Section 14.03 for each ADS Price and Effective Date set forth below:

	ADS Price											
Effective Date	**$7.38**	**$8.00**	**$8.50**	**$9.00**	**$9.41**	**$10.00**	**$12.50**	**$15.00**	**$20.00**	**$25.00**	**$30.00**	**$35.00**
July 1, 2019	29.2257	24.5400	21.4388	18.8178	16.9628	14.6790	8.3624	5.0513	2.0115	0.8036	0.2743	0.0511
July 1, 2020	29.2257	24.5400	21.4388	18.8178	16.9628	14.5580	7.9312	4.6420	1.7640	0.6700	0.2100	0.0306
July 1, 2021	29.2257	24.5400	21.4388	18.2444	16.0691	13.4960	7.0352	4.0247	1.4650	0.5176	0.1377	0.0086
July 1, 2022	29.2257	19.7875	17.1447	14.9156	13.3422	11.4100	6.1392	3.4693	1.1720	0.3648	0.0707	0.0000
July 1, 2023	29.2257	19.7875	17.1447	14.8944	13.1456	11.0270	5.4712	2.8620	0.8280	0.2040	0.0167	0.0000
July 1, 2024	29.2257	19.7875	17.1400	14.2767	12.3146	9.9900	4.3064	1.9773	0.4435	0.0664	0.0000	0.0000
July 1, 2025	29.2257	19.7875	15.7212	12.3100	10.0680	7.5500	2.3736	0.8473	0.1195	0.0024	0.0000	0.0000
July 1, 2026	29.2257	18.7250	11.3718	4.8356	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact ADS Prices and Effective Dates may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the ADS Price is greater than US$35.00 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than US$7.38 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per US$1,000 principal amount of Notes exceed 135.5013 ADSs, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04.

(g) If the Holder elects to convert its Notes in connection with the Company's election to redeem the Notes in respect of a Change in Tax Law pursuant to Section 16.01, the Conversion Rate shall be increased by a number of additional ADSs determined pursuant to this Section 14.03(g). The Company shall settle conversions of Notes as described in Section 14.02 and, for the avoidance of doubt, pay Additional Amounts, if any, with respect to any such conversion.

A conversion shall be deemed to be in connection with the Company's election to redeem the Notes in respect of a Change in Tax Law if such conversion occurs during the period from, and including, the date the Company provides the related notice of redemption to Holders until the close of business on the Business Day immediately preceding the Redemption Date (or, if the Company fails to pay the Redemption Price, such later date on which the Company pays the Redemption Price).

Simultaneously with providing such notice of redemption, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time.

The number of additional ADSs by which the Conversion Rate will be increased in the event the Company elects to redeem the Notes in respect of a Change in Tax Law will be determined by reference to the table in clause (e) above based on the Redemption Reference Date and the Redemption Reference Price (each as defined below), but determined for purposes of this Section 14.03(g) as if (x) the Holder had elected to convert its Notes in connection with a Make-Whole Fundamental Change, (y) the applicable "Redemption Reference Date" were the "Effective Date" as specified in clause (c) above and (z) the applicable "Redemption Reference Price" were the "ADS price" as specified in clause (c) above (and subject, for the avoidance of doubt, to the two paragraphs immediately following such table). For this purpose, the date on which the Company delivers notice of redemption is the "**Redemption Reference Date**" and the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period immediately preceding the date the Company delivers such notice of redemption is the "**Redemption Reference Price**."

Section 14.04 *Adjustment of Conversion Rate*. If the number of Ordinary Shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Ordinary Shares represented by the ADSs upon which conversion of the Notes is based remains the same.

Notwithstanding the adjustment provisions described in this Section 14.04, if the Company distributes to holders of the Ordinary Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to Ordinary Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 14.04 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Ordinary Shares. However, in the event that the Company issues or distributes to all holders of the Ordinary Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights entitling holders of the Ordinary Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Ordinary Shares or ADSs) or Section 14.04(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 14.04 results in a change to the number of Ordinary Shares represented by the ADSs, then such a change shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such an event to the extent such change reflects what a corresponding change to the Conversion Rate would have been on account of such event.

The Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the case of (x) a share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate, *multiplied by* the principal amount (expressed in thousands) of Notes held by such Holder. Neither the Trustee nor the Conversion Agent shall have any responsibility to monitor the accuracy of any calculation of any adjustment to the Conversion Rate and the same shall be conclusive and binding on the Holders, absent manifest error. Notice of such adjustment to the Conversion Rate shall be given by the Company promptly to the Holders, the Trustee, the Paying Agent and the Conversion Agent and shall be conclusive and binding on the Holders, absent manifest error.

(a) If the Company exclusively issues Ordinary Shares as a dividend or distribution on the Ordinary Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or share combination, as applicable;
CR_1	=	the Conversion Rate in effect immediately after the close of business on such Record Date or immediately after the open of business on such effective date, as applicable;
OS_0	=	the number of Ordinary Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the open of business on such effective date, as applicable; and
OS_1	=	the number of Ordinary Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the close of business on the Record Date for the ADSs for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than the average of the Last Reported Sale Prices of the Ordinary Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such issuance;
CR_1	=	the Conversion Rate in effect immediately after the close of business on such Record Date;
OS_0	=	the number of Ordinary Shares outstanding immediately prior to the close of business on such Record Date;
X	=	the total number of Ordinary Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and
Y	=	the number of Ordinary Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants *divided by* (b) the number of Ordinary Shares then represented by one ADS.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for the ADSs for such issuance. To the extent that Ordinary Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Ordinary Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such the Record Date for the ADSs for such issuance had not occurred.

For purposes of this Section 14.04(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Ordinary Shares (directly or in the form of ADSs) at a price per Ordinary Share that is less than such average of the Last Reported Sale Prices of the Ordinary Shares or the ADSs, as the case may be (divided by, in the case of the ADSs, the number of Ordinary Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Ordinary Shares or ADSs, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 14.04(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the "**Distributed Property**"), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such distribution;
CR_1	=	the Conversion Rate in effect immediately after the close of business on such Record Date;
SP_0	=	the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
FMV	=	the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Ordinary Share (directly or in the form of ADSs) on the Record Date for the ADSs for such distribution.

Any increase made under the foregoing portion of this Section 14.04(c) above shall become effective immediately after the close of business on the Record Date for the ADSs for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each US$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the ADSs for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Ordinary Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a "**Spin-Off**"), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the last Trading Day of the Valuation Period;
CR_1	=	the Conversion Rate in effect immediately after the close of business on the last Trading Day of the Valuation Period;
FMV_0	=	the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Ordinary Shares (directly or in the form of ADSs) applicable to one Ordinary Share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to the ADSs were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the "**Valuation Period**"); and
MP_0	=	the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Ordinary Shares then represented by one ADS) over the Valuation Period.

The adjustment to the Conversion Rate under the preceding paragraph shall occur immediately after the close of business on the last Trading Day of the Valuation Period; *provided* that in respect of any conversion during the Valuation Period, references in the portion of this Section 14.04(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the Ordinary Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Ordinary Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Ordinary Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Ordinary Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Ordinary Share redemption or purchase price received by a holder or holders of Ordinary Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Ordinary Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), if any dividend or distribution to which this Section 14.04(c) is applicable also includes one or both of:

(A) a dividend or distribution of Ordinary Shares (directly or in the form of ADSs) to which Section 14.04(a) is applicable (the "**Clause A Distribution**"); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the "**Clause B Distribution**"),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the "**Clause C Distribution**") and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made, except that, if determined by the Company (I) the "Record Date" of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Ordinary Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be "outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such effective date, as applicable" within the meaning of Section 14.04(a) or "outstanding immediately prior to the close of business on such Record Date" within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the Record Date for the ADSs for such dividend or distribution;
CR_1	=	the Conversion Rate in effect immediately after the close of business on such Record Date;
SP_0	=	the Last Reported Sale Price of the ADSs (divided by the number of Ordinary Shares then represented by one ADS) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
C	=	the amount in cash per Ordinary Share the Company distributes to all or substantially all holders of the Ordinary Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 14.04(d) shall become effective immediately after the close of business on the Record Date for the ADSs for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each US$1,000 principal amount of Notes, at the same time and upon the same terms as holders of the ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for the ADSs for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries or Consolidated Variable Interest Entities makes a payment in respect of a tender or exchange offer for the Ordinary Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Ordinary Share exceeds the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0	=	the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
CR_1	=	the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
AC	=	the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Ordinary Shares or ADSs, as the case may be, purchased in such tender or exchange offer;
OS_0	=	the number of Ordinary Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);
OS_1	=	the number of Ordinary Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Ordinary Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and
SP_1	=	the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Ordinary Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The adjustment to the Conversion Rate under this Section 14.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that in respect of any conversion within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references in this Section 14.04(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, the Conversion Date in determining the Conversion Rate. For the avoidance of doubt, no adjustment to the Conversion Rate under this Section 14.04(e) shall be made if such adjustment would result in a decrease in the Conversion Rate.

(f) [*RESERVED*]

(g) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Ordinary Shares or ADSs or any securities convertible into or exchangeable for Ordinary Shares or ADSs or the right to purchase Ordinary Shares or ADSs or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of The New York Stock Exchange and any other securities exchange on which any of the Company's securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Ordinary Shares or the ADSs or rights to purchase Ordinary Shares or ADSs in connection with a dividend or distribution of Ordinary Shares or ADSs (or rights to acquire Ordinary Shares or ADSs) or similar event.

(i) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Ordinary Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Ordinary Shares or ADSs under any plan;

(ii) upon the issuance of any Ordinary Shares or ADSs or options or rights to purchase those Ordinary Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries or Consolidated Variable Interest Entities;

(iii) upon the issuance of any Ordinary Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued;

(iv) solely for a change in the par value of the Ordinary Shares; or

(v) for accrued and unpaid interest, if any.

(j) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee (and the Conversion Agent if not the Trustee) an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to each Holder at its last address appearing on the Note Register of this Indenture. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) For purposes of this Section 14.04, the number of Ordinary Shares at any time outstanding shall not include Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Ordinary Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Ordinary Shares issuable in respect of scrip certificates issued in lieu of fractions of Ordinary Shares.

(m) For purposes of this Section 14.04, the "effective date" means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

Section 14.05 *Adjustments of Prices*. Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the ADS Price for purposes of a Make-Whole Fundamental Change or the Redemption Reference Price for purposes of a redemption of the Notes in connection with a Change in Tax Law over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective pursuant to Section 14.04, or any event requiring an adjustment to the Conversion Rate pursuant to Section 14.04 where the Record Date, effective date or expiration date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices or ADS Prices are to be calculated.

Section 14.06 *Ordinary Shares to Be Fully Paid*. The Company shall provide, free from preemptive rights, out of its authorized but unissued Ordinary Shares or Ordinary Shares held in treasury, a sufficient number of Ordinary Shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming that at the time of computation of such number of Ordinary Shares, all such Notes would be converted by a single Holder).

Section 14.07 *Effect of Recapitalizations, Reclassifications and Changes of the Ordinary Shares*.

(a) In the case of:

(i) any recapitalization, reclassification or change of the Ordinary Shares (other than changes resulting from a subdivision or combination),

(ii) any consolidation, merger, combination or similar transaction involving the Company,

(iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries and Consolidated Variable Interest Entities substantially as an entirety or

(iv) any statutory share exchange,

in each case, as a result of which the Ordinary Shares would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Merger Event**"), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 10.01(f) providing that, at and after the effective time of such Merger Event, the right to convert each US$1,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; *provided*, *however*, that at and after the effective time of the Merger Event the number of ADSs otherwise deliverable upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event.

If the Merger Event causes the Ordinary Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of the ADSs and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. The Company shall provide written notice to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 14. If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such additional provisions to protect the interests of the Holders of the Notes, including the right of Holders to require the Company to repurchase their Notes upon a Fundamental Change pursuant to Section 15.02 and the right of Holders to require the Company to repurchase their Notes on the Repurchase Date pursuant to Section 15.01, as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) [*RESERVED*]

(c) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a holder of Notes to convert its Notes into ADSs as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08 *Certain Covenants*. (a) The Company covenants that all ADSs delivered upon conversion of Notes, and all Ordinary Shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any ADSs to be provided for the purpose of conversion of Notes hereunder, or any Ordinary Shares represented by such ADSs, require registration with or approval of any governmental authority under any federal or state law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants that if at any time the ADSs shall be listed on any national securities exchange or automated quotation system the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of the Notes.

(d) The Company further covenants to take all actions and obtain all approvals and registrations as are necessary or appropriate with respect to the conversion of the Notes into ADSs and the issuance, and deposit into the ADS facility, of the Ordinary Shares represented by such ADSs. The Company also undertakes to maintain at all times, for the benefit of the Holders, a number of ADSs available for issuance under a registration statement on Form F-6 equal to at least the maximum number of ADSs potentially required to satisfy conversions of the Notes from time to time as Notes are presented for conversion (with such maximum number of ADSs determined for such purpose assuming the maximum number of additional ADSs have been added to the applicable Conversion Rate pursuant to Section 14.02 hereof). In addition, the Company further covenants to provide Holders with a reasonably detailed description of the mechanics for the delivery of ADSs upon conversion of Notes as set forth in the Deposit Agreement or the Restricted Deposit Agreement (including pursuant to a certain procedures letter for the issuance of restricted ADSs contemplated by Section 11 of the Restricted Deposit Agreement) upon request.

Section 14.09 *Responsibility of Trustee*. The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities, property or cash that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion, the accuracy or inaccuracy of any mathematical calculation or formulae under this Indenture, whether by the Company or any Person so authorized by the Company for such purpose under this Indenture or the failure by the Company to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or amount of ADSs or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 14.10 *Notice to Holders Prior to Certain Actions*. In case of any:

(a) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;

(b) Merger Event; or

(c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be mailed to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of Ordinary Shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Ordinary Shares or ADSs, as the case may be, of record shall be entitled to exchange their Ordinary Shares or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its Subsidiaries, Merger Event, dissolution, liquidation or winding-up.

Section 14.11 *Stockholder Rights Plans*. To the extent that the Company has a rights plan in effect upon conversion of the Notes, each ADS delivered upon such conversion shall be entitled to receive (either directly or in respect of the Ordinary Shares underlying such ADSs) the appropriate number of rights, if any, and the certificates representing the ADSs delivered upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. However, if, prior to any conversion, the rights have separated from the Ordinary Shares underlying the ADSs in accordance with the provisions of the applicable stockholder rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all or substantially all holders of the Ordinary Shares Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12 *Termination of Depositary Receipt Program.* If the Ordinary Shares cease to be represented by American Depositary Shares issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of Ordinary Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Ordinary Shares and as if the Ordinary Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Ordinary Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply.

ARTICLE 15
REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01 *Repurchase at Option of Holders*.

(a) Each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash on July 1, 2022 (the "**Repurchase Date**"), all of such Holder's Notes, or any portion thereof that is an integral multiple of US$1,000 principal amount, at a repurchase price (the "**Repurchase Price**") that is equal to 100% of the principal amount of the Notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the Repurchase Date; *provided* that any such accrued and unpaid interest shall be paid not to the Holders submitting the Notes for repurchase on the Repurchase Date but instead to the Holders of such Notes at the close of business on the Regular Record Date immediately preceding the Repurchase Date. Not later than 20 Business Days prior to the Repurchase Date, the Company shall mail a notice (the "**Company Notice**") by first class mail to the Trustee, to the Paying Agent and to each Holder at its address shown in the Note Register of the Note Registrar (and to beneficial owners as required by applicable law and to the Conversion Agent if other than the Trustee). The Company Notice shall include a Form of Repurchase Notice to be completed by a holder and shall state:

(i) the last date on which a Holder may exercise its repurchase right pursuant to this Section 15.01 (the "**Repurchase Expiration Time**");

(ii) the Repurchase Price;

(iii) the Repurchase Date;

(iv) the name and address of the Conversion Agent and Paying Agent;

(v) that the Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Indenture;

(vi) that the Holder shall have the right to withdraw any Notes surrendered prior to the Repurchase Expiration Time; and

(vii) the procedures a Holder must follow to exercise its repurchase rights under this Section 15.01 and a brief description of those rights.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided*, *however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Simultaneously with providing the Company Notice, the Company shall publish a notice containing the information included in the Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.01.

Repurchases of Notes under this Section 15.01 shall be made, at the option of the Holder thereof, upon:

(A) delivery to the Paying Agent (or other agent appointed for such purpose) by the Holder of a duly completed notice (the "**Repurchase Notice**") in the form set forth in Attachment 3 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depositary's procedures for surrendering interests in global notes, if the Notes are Global Notes, in each case during the period beginning at any time from the open of business on the date that is 20 Business Days prior to the Repurchase Date until the close of business on the Business Day immediately preceding the Repurchase Date; and

(B) delivery of the Notes, if the Notes are Physical Notes, to the Trustee at any time after delivery of the Repurchase Notice (together with all necessary endorsements) at the Corporate Trust Office of the Trustee, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depositary, in each case such delivery being a condition to receipt by the Holder of the Repurchase Price therefor.

Each Repurchase Notice shall state:

(A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;

(B) the portion of the principal amount of the Notes to be repurchased, which must be US$1,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, *however*, that if the Notes are Global Notes, the Repurchase Notice must comply with appropriate Depositary procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Repurchase Date by delivery of a duly completed written notice of withdrawal to the Trustee in accordance with Section 15.03.

The Trustee shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

No Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered for repurchase pursuant to this Section 15.01 by a Holder thereof to the extent such Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 15.02 and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03.

(b) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes). The Trustee will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02 *Repurchase at Option of Holders Upon a Fundamental Change*. (a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to US$1,000 or an integral multiple of US$1,000, on the Business Day (the "**Fundamental Change Repurchase Date**") notified in writing by the Company as set forth in Section 15.02(c) that is not less than 20 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15. The Trustee and the Conversion Agent, Paying Agent or any other agent appointed for such purpose shall have no responsibility to determine the Fundamental Change Repurchase Price.

(b) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent (or other agent appointed for this purpose) by a Holder of a duly completed notice (the "**Fundamental Change Repurchase Notice**") in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depositary's procedures for surrendering interests in global notes, if the Notes are Global Notes, in each case on or before the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Trustee at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer) at the Corporate Trust Office, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depositary, in each case such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

(i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;

(ii) the portion of the principal amount of Notes to be repurchased, which must be US$1,000 or an integral multiple thereof; and

(iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, *however*, that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depositary procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Trustee in accordance with Section 15.03.

The Trustee shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered by a Holder for repurchase thereof if such Holder has also surrendered a Repurchase Notice in accordance with Section 15.01 and not validly withdrawn such Repurchase Notice in accordance with Section 15.03.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders, the Trustee (and the Conversion Agent, Paying Agent and any other agent appointed for this purpose, in each case, if other than the Trustee) a written notice (the "**Fundamental Change Company Notice**") of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice shall be delivered in accordance with the applicable procedures of the Depositary. Simultaneously with providing such notice, the Company shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time. Each Fundamental Change Company Notice shall specify:

(i) the events causing the Fundamental Change and whether such events also constitute a Make-Whole Fundamental Change;

(ii) the effective date of the Fundamental Change;

(iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;

(iv) the Fundamental Change Repurchase Price;

(v) the Fundamental Change Repurchase Date;

(vi) the name and address of the Trustee, the Paying Agent, the Conversion Agent or any other agent appointed for repurchase, if applicable;

(vii) if applicable, the Conversion Rate and any adjustments to the Conversion Rate as a result of such Fundamental Change if it is a Make-Whole Fundamental Change;

(viii) if applicable, that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Indenture; and

(ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided*, *however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes). The Trustee will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.03 *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice*. (a) A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Paying Agent (or other agent appointed for such purpose) in accordance with this Section 15.03 at any time prior to the close of business on the Business Day immediately preceding the Repurchase Date or prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

(i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,

(ii) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and

(iii) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of US$1,000 or an integral multiple of US$1,000;

provided, *however*, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depositary.

Section 15.04 *Deposit of Repurchase Price or Fundamental Change Repurchase Price*. (a)The Company will deposit with the Paying Agent (or any other agent appointed for this purpose by the Company, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04) on or prior to 10:00 a.m., New York City time, one Business Day prior to the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Paying Agent (or other agent appointed for this purpose by the Company) and the Trustee, as applicable, payment for Notes surrendered for repurchase (and not withdrawn in accordance with Section 15.03) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (*provided* the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Trustee (or other Paying Agent appointed by the Company) by the Holder thereof in the manner required by Section 15.01 or Section 15.02, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depositary shall be made by wire transfer of immediately available funds to the account of the Depositary or its nominee. The Paying Agent (or other agent appointed for this purpose by the Company) shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Paying Agent (or other agent appointed for this purpose by the Company) holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then, with respect to the Notes that have been properly surrendered for repurchase and not validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) such Notes will cease to be outstanding, (ii) interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Trustee) and (iii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be, and previously accrued and unpaid interest upon delivery or transfer of the Notes to the extent not included in the Repurchase Price or Fundamental Change Repurchase Price, as the case may be).

(c) Upon surrender of a Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and the Trustee, upon receipt of a Company Order, shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

Section 15.05 *Covenant to Comply with Applicable Laws Upon Repurchase of Notes*. In connection with any repurchase offer, the Company will, if required:

(a) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act;

(b) file a Schedule TO or other required schedule under the Exchange Act; and

(c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

in each case, so as to permit the rights and obligations under this Article 15 to be exercised in the time and in the manner specified in this Article 15.

ARTICLE 16
OPTIONAL REDEMPTION

Section 16.01 *Optional Redemption for Changes in the Tax Law of the Relevant Taxing Jurisdiction*. Other than as described in this Article 16, the Notes may not be redeemed by the Company at its option prior to maturity. If the Company has, or on the next Interest Payment Date would, become obligated to pay to the Holder of any Note Additional Amounts that are more than a *de minimis* amount, as a result of:

(a) any change or amendment which is not publicly announced before, and becomes effective after, June 26, 2019 (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on such date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under this Indenture) in the laws or any rules or regulations of a Relevant Taxing Jurisdiction; or

(b) any change which is not publicly announced before, and becomes effective on or after, June 26, 2019 (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on such date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under this Indenture) in any written interpretation, administration or application of such laws, rules or regulations by any legislative body, court, governmental agency, taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction (including the enactment of any legislation and the announcement or publication of any judicial decision or regulatory or administrative interpretation or determination);

(each, a "**Change in Tax Law**"), the Company may, at its option, redeem all but not part of the Notes (except in respect of certain Holders that elect otherwise as described below) at a redemption price equal to 100% of the principal amount thereof (the "**Redemption Price**"), plus accrued and unpaid interest, if any, to, but not including, the date fixed by the Company for redemption (the "**Redemption Date**"), including, for the avoidance of doubt, any Additional Amounts with respect to such Redemption Price; *provided* that the Company may only redeem the Notes if: (i) the Company cannot avoid such obligations by taking reasonable measures available to the Company (*provided* that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure); and (ii) prior to or simultaneously with the notice of redemption, the Company delivers to the Trustee an opinion of outside legal counsel of recognized standing in the Relevant Taxing Jurisdiction specializing in taxation that the Company has or will become, on or before the Redemption Date, obligated to pay such additional amounts as a result of a Change in Tax Law and an Officers' Certificate stating that such obligation cannot be avoided by taking reasonable measures available to the Company. The Trustee shall and is entitled to rely upon such opinion and Officers' Certificate (without further investigation and enquiry) and it shall be conclusive and binding on the Holders.

Notwithstanding anything to the contrary in this Article 16, neither the Company nor any successor Person may redeem any of the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax and any other tax collected at source at the Applicable PRC Rate or less solely as a result of the Company or its successor Person being considered a PRC tax resident under the PRC Enterprise Income Tax law.

If the Redemption Date occurs after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay or cause the Paying Agent to pay, on or at its election, before such Interest Payment Date, the full amount of accrued and unpaid interest, if any, and any Additional Amounts with respect to such interest, due on such Interest Payment Date to the record holder of the Notes on the Regular Record Date corresponding to such Interest Payment Date, and the Redemption Price shall be equal to 100% of the principal amount of such Note to be redeemed, including, for the avoidance of doubt, any Additional Amounts with respect to such Redemption Price. The Company shall notify the Trustee in writing of its election and the date on which such interest and any Additional Amounts with respect to such interest shall be paid at the time the Company provides notice of such redemption.

The Company shall give the Trustee and Holders of Notes not less than 30 days' but no more than 60 days' notice of redemption prior to the Redemption Date. If the Company directs the Trustee to distribute the notice to Holders of Notes, the Company will give such direction to the Trustee at least two Business Days prior to the date on which the Company directs the Trustee to send the notice to Holders of Notes. Simultaneously with providing such notice, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time. The Redemption Date must be a Business Day. The notice of redemption may not be revoked or subject to conditions, and outstanding Notes will become due and payable at the redemption price on the redemption date specified in the related notice.

Upon receiving such notice of redemption, each Holder shall have the right to elect to not have its Notes redeemed, *provided* that (i) the Company shall not be obligated to pay any Additional Amounts on any payment with respect to such Notes solely as a result of such Change in Tax Law that resulted in the obligation to pay such Additional Amounts (whether upon conversion, required repurchase in connection with a Fundamental Change or on the Repurchase Date, at maturity or otherwise, and whether in ADSs, Reference Property or otherwise) after the Redemption Date (or, if the Company fails to pay the Redemption Price on the Redemption Date, such later date on which the Company pays the Redemption Price), and (ii) all future payments with respect to such Notes shall be subject to the deduction or withholding of any taxes of such Relevant Taxing Jurisdiction required by law to be deducted or withheld as a result of such Change in Tax Law; *provided further* that, notwithstanding the foregoing, if a Holder electing not to have its Notes redeemed converts its Notes in connection with the Company's election to redeem the Notes in respect of such Change in Tax Law pursuant to Section 14.03(g), the Company shall be obligated to pay Additional Amounts, if any, with respect to such conversion.

A Holder electing to not have its Notes redeemed must deliver to the Trustee and the Paying Agent a written notice of election so as to be received by the Trustee and Paying Agent no later than the close of business on the Business Day immediately preceding the Redemption Date; *provided* that, a Holder that complies with the requirements for conversion in Section 14.02(b) shall be deemed to have delivered a notice of its election to not have its Notes so redeemed. A Holder may withdraw any notice of election (other than such a deemed notice of election in connection with a conversion) by delivering to the Trustee and the Paying Agent a written notice of withdrawal prior to the close of business on the Business Day immediately preceding the Redemption Date (or, if the Company fails to pay the Redemption Price on the Redemption Date, such later date on which the Company pays the Redemption Price). If no election is made or deemed to have been made, the Holder shall have its Notes redeemed without any further action.

No Notes may be redeemed by the Company or its successor if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Redemption Date.

ARTICLE 17
MISCELLANEOUS PROVISIONS

Section 17.01 *Provisions Binding on Company's Successors*. All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02 *Official Acts by Successor Corporation*. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03 *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to Tower A, AVIC Zijin Plaza, Siming District, Xiamen, Fujian Province 361000, People's Republic of China. Any notice, direction, request or demand hereunder to or upon the Trustee shall be given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to Deutsche Bank Trust Company Americas, Trust and Agency Services, 60 Wall Street, 24th Floor, Mail Stop: NYC60-1630, New York, New York 10005, Attn: Corporates Team, Facsimile: (732) 578-4635.

All notices and other communications under this Indenture shall be in writing in English.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by DTC, notices to owners of beneficial interests in the Global Notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

The Company hereby acknowledges that it is fully aware of the risks associated with transmitting instructions via electronic methods (including facsimile), and being aware of these risks, authorizes the Trustee to accept and act upon any instruction sent to it or any Paying Agent, Conversion Agent or Note Registrar in the Company's name or in the name of one or more appropriate authorized signers of the Company via electronic methods (including facsimile). The Trustee shall be entitled to rely on Section 7.06 of this Indenture when accepting or acting upon any instructions, communications or documents transmitted by facsimile, and shall not be liable in the event any facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason, including (but not limited to) electronic or telecommunications failure.

Furthermore, notwithstanding the above, if any Trustee receives information or instructions delivered by electronic mail, other electronic method or other unsecured method of communication believed by it to be genuine and to have been sent by the proper person or persons, the Trustee or any Paying Agent, Conversion Agent or Note Registrar shall have (i) no duty or obligation to verify or confirm that the person who sent such instructions is in fact a person authorized to give instructions or directions on behalf of the Company and (ii) absent its or their gross negligence or willful misconduct, no liability for any losses, liabilities, costs or expenses incurred or sustained by any holder, the Company or any other person as a result of such reliance on or compliance with such information or instructions.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register and shall be sufficiently given to it if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 17.04 *Governing Law; Jurisdiction*. THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.05 *Service of Process*. The Company irrevocably appoints Cogency Global Inc. located at 10 East 40th Street, 10th Floor, New York, New York 10016 as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to Tower A, AVIC Zijin Plaza, Siming District, Xiamen, Fujian Province 361000, People's Republic of China, shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of eight years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent's acceptance of that appointment within ten Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.06 *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee*. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an Officers' Certificate and/or Opinion of Counsel stating that such action is permitted by the terms of this Indenture; *provided*, however, that such Opinion of Counsel shall not be required in connection with the Notes initially issued hereunder.

Each Officers' Certificate provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officers' Certificates provided for in Section 4.09) shall include (a) a statement that the person making such certificate is familiar with the requested action and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such person, such action is permitted by this Indenture.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to, or entitled to request, such Opinion of Counsel.

Section 17.07 *Legal Holidays*. In any case where any Interest Payment Date, Redemption Date, Fundamental Change Repurchase Date, Conversion Date, Repurchase Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.08 *No Security Interest Created*. Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09 *Benefits of Indenture*. Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Paying Agent, any Conversion Agent, any Note Registrar and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10 *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11 *Execution in Counterparts*. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 17.12 *Severability*. In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13 *Waiver of Jury Trial*. EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14 *Force Majeure*. In no event shall the Trustee or the Agents be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee or the Agents, as the case may be, shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15 *Calculations*. Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes, and in no instance shall the Trustee or the Conversion Agent be responsible for making such calculations. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, accrued interest payable on the Notes, the number of Additional ADSs to be added to the Conversion Rate upon a Make-Whole Fundamental Change, if any, the Conversion Rate of the Notes and any adjustments thereto. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders, the Trustee, the Paying agent and the Conversion Agent. The Company shall provide a schedule of its calculations to each of the Trustee, the Paying Agent and the Conversion Agent, and each of the Trustee, the Paying Agent and the Conversion Agent is entitled to rely conclusively and without liability upon the accuracy of the Company's calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of Notes upon the prior written request of that Holder at the sole cost and expense of the Company.

Section 17.16 *U.S.A. Patriot Act*. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The Company agrees that it will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duty executed of the date first above written.

QUDIAN INC.

By: /s/ Min Luo
Name: Min Luo
Title: Chief Executive Officer

[Signature Page to Indenture]

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By: /s/ Robert S. Peschler
Name: ROBERT S. PESCHLER
Title: VICE PRESIDENT

By: /s/ Jacqueline Bartnick
Name: Jacqueline Bartnick
Title: Director

[*Signature Page to Indenture*]

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE COMPANY, THE TRUSTEE AND ANY AGENT THEREOF AS THE OWNER AND HOLDER OF THIS NOTE FOR ALL PURPOSES

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT OR CONTRACTUALLY RESTRICTED SECURITIES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) NOT A U.S. PERSON AND LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT, AND HAS NOT BEEN FOR THE IMMEDIATELY PRECEDING THREE MONTHS, AN AFFILIATE OF QUDIAN INC. (THE "**COMPANY**"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION HEREOF AND THE CLASS A ORDINARY SHARES REPRESENTED THEREBY, OR A BENEFICIAL INTEREST HEREIN OR THEREIN.]

QUDIAN INC.

1.00% Convertibile Senior Note due 2026

No. [_____] [Initially][1] US$_____

CUSIP No. [_____]

Qudian Inc., a company duly organized and validly existing under the laws of the Cayman Islands (the "**Company**," which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.][2] [_____][3], or registered assigns, the principal sum [as set forth in the "Schedule of Exchanges of Notes" attached hereto][4] [of US$[_____]][5], which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed US$345,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depositary, on July 1, 2026, and interest thereon as set forth below.

This Note shall bear cash interest at the rate of 1.00% per year from, and including, July 1, 2019, or from, and including, the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until July 1, 2026. Interest is payable semi-annually in arrears on each July 1 and January 1, commencing on January 1, 2020, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) and Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate per annum borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

---

1 Include if a Global Note.
2 Include if a Global Note.
3 Include if a Physical Note.
4 Include if a Global Note.
5 Include if a Physical Note.

The Company shall pay or cause the Paying Agent to pay the principal of and interest on this Note, so long as such Note is a Global Note, in immediately available funds to the Depositary or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated the Deutsche Bank Trust Company Americas as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and its agency in the Borough of Manhattan, The City of New York, as a place where Notes may be presented for payment or for registration of transfer.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into ADSs on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually by the Trustee under the Indenture.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

QUDIAN INC.

By: _____
Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee, certifies that this is one of the Notes described
in the within-named Indenture.

By: _____
Name:
Title:

[FORM OF REVERSE OF NOTE]

QUDIAN INC.
1.00% Convertible Senior Note due 2026

This Note is one of a duly authorized issue of Notes of the Company, designated as its 1.00% Convertible Senior Notes due 2026 (the "**Notes**"), limited to the aggregate principal amount of US$345,000,000, subject to Section 2.10 of the Indenture, all issued or to be issued under and pursuant to an Indenture dated as of July 1 2019 (the "**Indenture**"), between the Company and Deutsche Bank Trust Company Americas, as trustee (the "**Trustee**"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties, privileges, disclaimers from liability and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In the case certain Events of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. In the case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the principal of, and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make or cause the Paying Agent to make all payments in respect of the principal amount on the Maturity Date, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, as the case may be, to the Holder who surrenders a Note to collect such payments in respect of the Note. The Company will pay or cause the Paying Agent to pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Indenture, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), premium, if any, payments of interest, including any Additional Interest, and deliveries of ADSs or any other consideration due on conversion of a Note (together with payments of cash for any Fractional ADS or other consideration) upon conversion of the Notes to ensure that the net amount received by the beneficial owner of the Notes after any applicable withholding, deduction or reduction (and after deducting any taxes on the Additional Amounts) will equal the amounts that would have been received by such beneficial owner had no such withholding, deduction or reduction been required.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay or cause to be delivered, as the case may be, the principal (including the Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on, and the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

The Notes are issuable in registered form without interest coupons in denominations of US$1,000 principal amount and integral multiples thereof. In the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Company may not redeem the Notes prior to the Maturity Date, except in the event of certain Changes in Tax Law as described in Section 16.01 of the Indenture. No sinking fund is provided for the Notes.

The Holder has the right, at such Holder’s option, to require the Company to repurchase for cash all of such Holder’s Notes or any portion thereof (in principal amounts of US$1,000 or integral multiples thereof) on the Repurchase Date at a price equal to the Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder’s option, to require the Company to repurchase for cash all of such Holder’s Notes or any portion thereof (in principal amounts of US$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US$1,000 principal amount of Notes or an integral multiple thereof, into ADSs at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

SCHEDULE OF EXCHANGES OF NOTES

QUDIAN INC.
1.00% Convertible Senior Notes due 2026

The initial principal amount of this Global Note is [_____] UNITED STATES DOLLARS (US$[_____]). The following increases or decreases in this Global Note have been made:

Date of exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee

6 Include if a Global Note.

ATTACHMENT 1

[FORM OF NOTICE OF CONVERSION]

To: QUDIAN INC.

Tower A, AVIC Zijin Plaza
Siming District, Xiamen
Fujian Province 361000
People's Republic of China
+86-592-5911580

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Conversion Agent

Deutsche Bank Trust Company Americas
c/o DB Services Americas, Inc., Attn: Reorg Dept.,
5022 Gate Parkway, Suite 200, Jacksonville, FL 32256
Ref: Cusip 0090040AA4, AT4055, Qudian Inc.
Tel. +1-877-843-9767, Email: db.reorg@db.com
Fax: +1-615-866-3889

DEUTSCHE BANK TRUST COMPANY AMERICAS, as ADS Depositary

60 Wall Street
New York, NY 10005 United States
Fax: +1-732-544-6346, Email: adr@db.com

The undersigned registered holder of this Note hereby exercises the option to convert that Note, or the portion thereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, into ADSs in accordance with the terms of the Indenture referred to in this Note, and directs that any ADSs deliverable upon such conversion, together with any cash payable for any Fractional ADS, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. Terms defined in the Deposit Agreement, the Restricted Deposit Agreement or the Indenture referred to in this Notice are used herein as so defined. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp, issue, transfer or similar taxes, if any, in accordance with Section 14.02(d) and Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Notice.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note (or securities represented thereby) have not been and are not expected to be registered under the Securities Act.

2. The undersigned further certifies that either:

(a) The undersigned is, and at the time ADSs are delivered in conversion of its Notes will be, the holder of the ADSs and the Ordinary Shares represented thereby, and (i) the undersigned is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Ordinary Shares represented thereby being delivered in the conversion outside the United States and (ii) the undersigned is not in the business of buying and selling securities or, if the undersigned is in such business, the undersigned did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(b) The undersigned is a broker-dealer acting on behalf of its customer; its customer has confirmed to the undersigned that it is, and at the time ADSs are delivered in conversion of the said Notes will be, the holder of the ADSs and the Ordinary Shares represented thereby, and (i) it is not a U.S. person (as defined in Regulation S under the Securities Act) and it is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Ordinary Shares represented thereby being delivered in the conversion outside the United States and (ii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(c) The undersigned is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) acting for its own account or for the account of one or more qualified institutional buyers and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of the ADSs to be received upon conversion of the Notes.

3. The undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Conversion ADSs if the undersigned (or such other account) becomes an Affiliate of the Company.

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, prior to the Resale Restriction Termination Date, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of the United States and any state thereof.][7]

The undersigned hereby instructs the ADS Depositary to register the ADSs in the name of:

1. Name of Beneficial Owner to receive ADSs (English): _____
2. Address of Beneficial Owner to receive ADSs (English): _____
3. Name of Registered Holder of the Deposited Shares: _____
4. Number of Deposited Shares: _____
5. Number of ADSs to be issued: _____
6. Beneficial Owner's Tax ID Number: _____
7. Contact Name and Tel No/email address: _____

[The undersigned instructs the Depositary to deliver the ADRs representing the ADSs to the following account:

ADS Receiving Broker (* are mandatory fields):

a) DTC Broker Name*: _____
b) DTC Broker's Participant Account with DTC *: _____
c) DTC Broker Contact Name: _____
d) DTC Broker Contact Tel No/email: _____
e) Beneficial Owner's Account # with DTC Broker*: _____

OR

e) Local Broker Name (have account with DTC Broker)*: _____
Local Broker Sub-Account # with DTC Broker*: _____
Local Broker Contact Name: _____
Local Broker Contact Tel No/email: _____
_____

ADS Delivering Party:

[7] Include if a Restricted Security.

Name:	Deutsche Bank Trust Company Americas DTC Account: #2655][8]

For any ADS settlement inquiries, please contact DBTCA Broker Desk:

Tel: +1-212-250-9100 (New York) / +44-207-547-6500 (London) Email: adr@db.com

8 Include bracketed language in the conversion Notice if the Note being converted is not a Restricted Security.

Dated:_____

_____

Signature(s)

_____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

_____

(Name)

_____

(Street Address)

_____

(City, State and Zip Code)
Please print name and address

Principal amount to be converted (if less than all): US$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

_____

Social Security or Other Taxpayer Identification Number

ATTACHMENT 2

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: QUDIAN INC.

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from Qudian Inc. (the "**Company**") as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 3

[FORM OF REPURCHASE NOTICE]

To: QUDIAN INC.

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from Qudian Inc. (the "**Company**") regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Indenture referred to in this Note, at the Repurchase Price to the registered Holder hereof.

In the case of certificated Notes, the certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

☐ To Qudian Inc. or a subsidiary thereof; or

☐ Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or

☐ Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended [("**Rule 144A**"), and the undersigned confirms that the undersigned reasonably believes that the transferee of such Note is a "qualified institutional buyer" (within the meaning of Rule 144A) that is purchasing for its own account or for the account of another qualified institutional buyer and the undersigned has provided such transferee notice that the transfer is being made in reliance on Rule 144A][9]; or

☐ Outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended; or

☐ Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

9 Include if Regulation S Note.

Dated: _____

_____

_____

_____

Signature(s)

_____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

EXHIBIT B

[FORM OF AUTHORIZATION CERTIFICATE]

I, [Name], [Title], acting on behalf of Qudian Inc. (the "**Company**") hereby certify that:

(A) the persons listed below are (i) authorized Officers of the Company for purposes of the Indenture (the "**Indenture**") dated as of July 1, 2019 between the Company and Deutsche Bank Trust Company Americas, as trustee, in relation to the 1.00% Convertible Senior Notes due 2026 (the "**Notes**"), (ii) duly elected or appointed, qualified and acting as the holder of the respective office or offices set forth opposite their names and (iii) the duly authorized persons who executed or will execute the Indenture and the Notes issued pursuant to the Indenture by their manual or facsimile signatures and were at the time of such execution, duly elected or appointed, qualified and acting as the holder of the offices set forth opposite their names;

(B) each of the individuals listed below have the authority to receive call backs at the telephone numbers noted below upon request of Deutsche Bank Trust Company Americas in connection with the Notes issued pursuant to the Indenture;

(C) each signature appearing below is the person's genuine signature; and

(D) attached hereto as Schedule I is a true, correct and complete specimen of the certificates representing the Notes.

IN WITNESS WHEREOF, I have hereunto executed and delivered this certificate on behalf of the Company as of the date indicated.

Dated: _____

[Name]

By: _____
Name:
Title:

SCHEDULE I

Name	Title, Fax No., Email	Signature	Tel No.

Exhibit 8.1

LIST OF SUBSIDIARIES AND CONSOLIDATED VARIABLE INTEREST ENTITIES OF

QUDIAN INC.

Subsidiaries	**Jurisdiction of Incorporation**
Qufenqi (Ganzhou) Information Technology Co., Ltd.* □□□(□□)□□□□□□□□	PRC
Xiamen Happy Time Technology Co., Ltd.* □□□□□□□□□□□□	PRC
Qufenqi (HK) Limited	Hong Kong
QD Technologies Limited	British Virgin Islands
Tianjin Qudian Financial Lease Co. Ltd.* □□□□□□□□□□□□	PRC
QD Data Limited	Hong Kong
Xiamen Qudian Financial Lease Co., Ltd.* □□□□□□□□□□□□	PRC
Jinan Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Wenzhou Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Nanchang Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Ningxia Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Shijiazhuang Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□□	PRC
Gansu Qudian Car Sale & Service Co., Ltd.* □□□□□□□□□□□□	PRC
Shenyang Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Chongqing Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Suzhou Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Taiyuan Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Xiamen Qudian Car Sale & Service Co., Ltd.* □□□□□□□□□□□□□	PRC
Zhengzhou Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Guiyang Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Chengdu Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Nanjing Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Changsha Qudian Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Chongqing Dabai Car Leasing Co., Ltd.* □□□□□□□□□□□□	PRC
Xiamen Xincheng Youda Financing Guarantee Co., Ltd.* □□□□□□□□□□□□□□	PRC
Xiamen Youqi Technology Co., Ltd.* □□□□□□□□□□	PRC
Xiamen Youdun Technology Co., Ltd.* □□□□□□□□□□	PRC
Xiamen Youxiang Times Technology Service Co., Ltd.* □□□□□□□□□□□□□□	PRC

Consolidated Variable Interest Entities ("VIEs")	**Jurisdiction of Incorporation**
Beijing Happy Time Technology Development Co., Ltd.* □□□□□□□□□□□□□□	PRC
Xiamen Qudian Technology Co., Ltd.* □□□□□□□□□□	PRC
Hunan Qudian Technology Development Co., Ltd.* □□□□□□□□□□□□	PRC
Ganzhou Qudian Technology Co., Ltd.* □□□□□□□□□□	PRC
Xiamen Weipujia Technology Co., Ltd.* □□□□□□□□□□□□	PRC
Xiamen Qu Plus Plus Technology Development Co., Ltd* □□□□□□□□□□□□□□	PRC

Subsidiaries of Consolidated VIEs	**Jurisdiction of Incorporation**
Ganzhou Happy Fenqi Network Service Co., Ltd.* □□□□□□□□□□□□□□	PRC
Xinjiang Qudian Technology Co., Ltd. * □□□□□□□□□□	PRC
Fuzhou High-tech Zone Microcredit Co., Ltd.* □□□□□□□□□□□□□□□□	PRC
Ganzhou Happy Life Network Microcredit Co., Ltd.* □□□□□□□□□□□□□□□□	PRC
Qufenqi (Beijing) Information Technology Co., Ltd.* □□□(□□)□□□□□□□□	PRC
Fuzhou Happy Time Technology Development Co., Ltd.* □□□□□□□□□□□□□□	PRC

Xiamen Qudian Commercial Factoring Co., Ltd.* □□□□□□□□□□□□	PRC
Ganzhou Happy Fenqi Technology Development Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Ganzhou Happy Time E-Commerce Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Xiamen Junda Network Technology Co., Ltd.* □□□□□□□□□□□□□	PRC
Tianjin Qufenqi Technology Co., Ltd.* □□□□□□□□□□□	PRC
Tianjin Happy Fenqi Technology Development Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Hunan Happy Time Technology Development Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Yihuang Qudian Technology Development Co., Ltd.* □□□□□□□□□□□□□	PRC
Jiangxi Chunmian Technology Development Co., Ltd.* □□□□□□□□□□□□□	PRC
Beijing Happy Fenqi Technology Development Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Ganzhou Qudian Commerce Development Co., Ltd.* □□□□□□□□□□□□□	PRC
Tianjin Happy Time Technology Development Co., Ltd.* □□□□□□□□□□□□□□□	PRC
Xiamen Wanlimu Technology Co., Ltd.* □□□□□□□□□□□□	PRC

* The English name of this subsidiary, consolidated VIE or subsidiary of consolidated VIE, as applicable, has been translated from its Chinese name.

Exhibit 12.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Min Luo, certify that:

1. I have reviewed this annual report on Form 20-F of Qudian Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 27, 2020

By: /s/ Min Luo
Name: Min Luo
Title: Chairman and Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yan Gao, certify that:

1. I have reviewed this annual report on Form 20-F of Qudian Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 27, 2020

By: /s/ Yan Gao
Name: Yan Gao
Title: Vice President of Finance

Exhibit 13.1

Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Qudian Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Min Luo, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2020

By: /s/ Min Luo
Name: Min Luo
Title: Chairman and Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Qudian Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yan Gao, Vice President of Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2020

By: /s/ Yan Gao
Name: Yan Gao
Title: Vice President of Finance

Exhibit 15.1

天元律师事务所
TIAN YUAN LAW FIRM

10/F, Tower B, CPIC Plaza, No. 28 Fengsheng Lane, Xicheng District, Beijing 100032, China
Tel: 86 10 5776 3888 Fax: 86 10 5776 3777

April 27, 2020

Qudian Inc.

Tower A, AVIC Zijin Plaza
Siming District, Xiamen
Fujian Province 361000
People's Republic of China

as the "**Company**"

Dear Sirs,

We consent to the references to our firm under the heading "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure — If the PRC government deems that the contractual arrangements in relation to our consolidated VIEs 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." and "Item 4. Information on the Company—C. Organizational Structure—Our Contractual Arrangements with Consolidated VIEs and Their Shareholders" in Qudian Inc.'s Annual Report on Form 20-F for the year ended December 31, 2019 (the "**Annual Report**"), which is filed with the Securities and Exchange Commission (the "**SEC**") on April 27, 20120. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Tian Yuan Law Firm
Tian Yuan Law Firm

Exhibit 15.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-224249) pertaining to the 2016 Equity Incentive Plan of Qudian Inc. of our reports dated April 27, 2020, with respect to the consolidated financial statements of Qudian Inc., and the effectiveness of internal control over financial reporting of Qudian Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young Hua Ming LLP

Shanghai, The People's Republic of China

April 27, 2020