

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, 2018.

or

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

For the transition period from _____ to _____

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: 001-35147

Renren Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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18 Jiuxianqiao Middle Road
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People's Republic of China
(Address of principal executive offices)

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities 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 15 Class A ordinary shares	RENN	The New York Stock Exchange
Class A ordinary shares, par value US\$0.001 per share*		The New York Stock Exchange

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

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

None

(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2018, 737,222,448 Class A ordinary shares, par value US\$0.001 per share and 305,388,450 Class B ordinary shares, par value US\$0.001 per share were outstanding.

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 definition 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 registrant has used to prepare the financial statements included in this filing:

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

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

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.]

Yes No

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INTRODUCTION

In this annual report, except where the context otherwise requires:

- “ADSs” refers to our American depositary shares, each of which represents fifteen Class A ordinary shares, par value US\$0.001 per share. Except as otherwise indicated, all ADS and per ADS data in this annual report give retroactive effect to the change in the number of ordinary shares represented by each ADS from three to fifteen that became effective on February 6, 2017.
- “Kaixin” refers to the entity that operates our used automobile business. Prior to April 30, 2019, “Kaixin” refers to Kaixin Auto Group, which was a wholly-owned subsidiary of Renren Inc. From April 30, 2019, “Kaixin” refers to Kaixin Auto Holdings, a company listed on the Nasdaq Stock Market. Kaixin Auto Holdings was formerly CM Seven Star Acquisition Corporation, a blank check company formed for the purpose of entering into a business combination with one or more businesses. Pursuant to a series of transactions that closed on April 30, 2019, Renren Inc. acquired a controlling interest in Kaixin Auto Holdings and Kaixin Auto Holdings acquired 100% ownership of Kaixin Auto Group. We refer to this series of transactions as the “Kaixin Offering.” See “Item 4. Information on the Company—A. History and Development of the Company—Kaixin Offering” for more information.
- The “PRC” or “China” refers to the People’s Republic of China, excluding, for purposes of this annual report only, Hong Kong, Macau and Taiwan.
- “SaaS” refers to software as a service.
- “Shares” or “ordinary shares” refer, collectively, to our Class A and Class B ordinary shares, par value US\$0.001 per share. Except as otherwise indicated, all share and per share data in this annual report give retroactive effect to the ten-for-one share split that became effective on March 25, 2011.
- “We,” “us,” “our company,” and “our” refer to Renren Inc. and its subsidiaries, its consolidated affiliated entities, and subsidiaries of its consolidated affiliated entities.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain Renminbi figures in this annual report are translated into U.S. dollars solely for the reader’s convenience. Unless otherwise noted, all convenience translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB 6.8755 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2018. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

FORWARD-LOOKING STATEMENTS

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

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to” or other similar expressions. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues and certain cost and expense items;
- the expected growth of the used automobile business in China;
- our expectations regarding our SaaS businesses and our other operations in the United States;
- our expectations regarding demand for and market acceptance of our services;
- changes in technology affecting our business, and our company’s responses to these changes;
- our plans to enhance our user experience, infrastructure and service offerings;
- competition in our industry in China;
- the performance of our strategic and financial investments; and
- relevant government policies and regulations relating to our industry.

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, and business strategy. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect, and our actual results could be materially different from our expectations. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements with these cautionary 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 or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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

Selected Consolidated Financial Data

The following selected consolidated statement of operations data for the three years ended December 31, 2016, 2017 and 2018 and the selected consolidated balance sheet data as of December 31, 2017 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated statement of operations data for the years ended December 31, 2014 and 2015 and our selected consolidated balance sheet data as of December 31, 2014, 2015 and 2016 have been derived from our audited consolidated financial statements not included in this annual report, except for the impact of retrospective adjustments for *56.com*, our online video business, which we ceased to control on December 1, 2014, our online games business, which we ceased to control on March 31, 2016, Oak Pacific Investment, our wholly-owned subsidiary, which we ceased to control on June 22, 2018 and *renren.com*, our social network platform, which we ceased to control on December 28, 2018, all of which have been classified as discontinued operations.

The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5—Operating and Financial Review and Prospects” in this annual report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Due to the retrospective adjustments, our results of operations for the years ended December 31, 2014 and 2015 and financial position as of December 31, 2014 and 2015 are not directly comparable to the financial data reported in our previously filed annual reports.

Our historical results do not necessarily indicate results expected for any future periods.

	Years ended December 31,				
	2014	2015	2016	2017	2018
	(in thousands of US\$, except for share, per share and per ADS data)				
Summary Consolidated Statement of Operations Data:					
Net revenues	\$ 41,049	\$ 30,903	\$ 47,481	\$ 174,624	\$ 498,198
Cost of revenues	17,421	26,792	40,577	163,314	476,468
Gross profit	23,628	4,111	6,904	11,310	21,730
Operating expenses ⁽¹⁾ :					
Selling and marketing	29,018	23,576	13,932	20,070	34,562
Research and development	18,227	13,012	7,542	17,435	26,349
General and administrative	46,299	45,117	39,406	51,494	71,094
Gain on disposal of property and equipment	—	—	—	—	(25,928)
Impairment of goodwill	46,864	—	—	—	29,055
Total operating expenses	140,408	81,705	60,880	88,999	135,132
Loss from operations	116,780	77,594	53,976	77,689	113,402
Other (expenses) income	(3,633)	(953)	8,336	2,656	(2,014)
Fair value change of contingent consideration	—	—	—	(2,601)	(29,604)
Interest income	8,442	1,728	832	1,988	5,760
Interest expense	—	(1,075)	(7,107)	(4,322)	(5,103)
Realized gain (loss) on short-term investments	167,227	3,211	595	(100)	—
Realized gain (loss) on disposal of long-term investments	—	—	—	37,311	(2,141)
Impairment of short-term investments	—	—	—	—	—
Impairment of long-term investments	—	—	(1,484)	—	—
Income (loss) before provision of income tax and earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	55,257	(74,682)	(52,804)	(42,757)	(146,504)
Income tax benefit (expenses)	(6,517)	(4,066)	(2,470)	(4,479)	(9,850)

	Years ended December 31,				
	2014	2015	2016	2017	2018
	(in thousands of US\$, except for share, per share and per ADS data)				
Income (loss) before earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	48,740	(78,748)	(55,274)	(47,236)	(156,354)
Earnings (loss) in equity method investments, net of income taxes	50,008	4,549	(7,840)	55,985	(2,463)
Income (loss) from continuing operations	98,748	(74,199)	(63,114)	8,749	(158,817)
Loss from the operations of the discontinued operations, net of income taxes	(96,152)	(147,458)	(130,548)	(119,252)	(18,799)
Gain on deconsolidation of the subsidiaries, net of income taxes	489	—	8,310	—	242,097
Gain on disposal of equity method investment, net of income taxes	56,993	—	—	—	—
(Loss) income from discontinued operations, net of income taxes	(38,670)	(147,458)	(122,238)	(119,252)	223,298
Net income (loss)	60,078	(221,657)	(185,352)	(110,503)	64,481
Net loss attributable to the noncontrolling interest	382	1,529	—	76	8,059
Net income (loss) from continuing operations attributable to Renren Inc.	99,130	(72,670)	(63,114)	8,825	(150,758)
Net (loss) income from discontinued operations attributable to Renren Inc.	(38,670)	(147,458)	(122,238)	(119,252)	223,298
Net income (loss) attributable to Renren Inc.	\$ 60,460	\$ (220,128)	\$ (185,352)	\$ (110,427)	72,540
Net income (loss) per share:					
Net income (loss) per share from continuing operations attributable to Renren Inc. shareholders:					
Basic	\$ 0.09	\$ (0.07)	\$ (0.06)	\$ 0.01	\$ (0.15)
Diluted	\$ 0.09	\$ (0.07)	\$ (0.06)	\$ 0.01	\$ (0.15)
Net (loss) income per share from discontinued operations attributable to Renren Inc. shareholders:					
Basic	\$ (0.04)	\$ (0.14)	\$ (0.12)	\$ (0.12)	\$ 0.22
Diluted	\$ (0.04)	\$ (0.14)	\$ (0.12)	\$ (0.12)	\$ 0.20
Net income (loss) per share attributable to Renren Inc. shareholders:					
Basic	\$ 0.06	\$ (0.22)	\$ (0.18)	\$ (0.11)	\$ 0.07
Diluted	\$ 0.06	\$ (0.22)	\$ (0.18)	\$ (0.11)	\$ 0.07
Net income (loss) attributable to Renren Inc. shareholders per ADS ⁽²⁾ :					
Basic	\$ 0.86	\$ (3.24)	\$ (2.72)	\$ (1.61)	\$ 1.05
Diluted	\$ 0.85	\$ (3.24)	\$ (2.72)	\$ (1.61)	\$ 1.05
Weighted average number of shares used in calculating net (loss) income per ordinary share from continuing operations attributable to Renren Inc. shareholders:					
Basic	1,059,446,436	1,019,378,556	1,022,664,396	1,028,537,406	1,036,421,063
Diluted	1,067,631,709	1,019,378,556	1,022,664,396	1,029,736,939	1,036,421,063
Weighted average number of shares used in calculating net (loss) income per ordinary share from discontinued operations attributable to Renren Inc. shareholders:					
Basic	1,059,446,436	1,019,378,556	1,022,664,396	1,028,537,406	1,036,421,063
Diluted	1,067,631,709	1,027,236,202	1,022,664,396	1,028,537,406	1,095,805,917

(1) Including share-based compensation expenses as set forth below:

(2) Each ADS represents 15 Class A ordinary shares.

	Years ended December 31,				
	2014	2015	2016	2017	2018
	(in thousands of US\$)				
Allocation of Share-based Compensation Expenses:					
Selling and marketing	193	243	770	598	1,927
Research and development	916	781	1,363	1,092	1,142
General and administrative	18,983	25,481	21,411	26,326	28,534
	20,092	26,505	23,544	28,016	31,603
Expenses from the discontinued operations	3,512	1,736	—	—	—
Total share-based compensation expenses	\$ 23,604	\$ 28,241	\$ 23,544	\$ 28,016	31,603

	As of December 31,				
	2014	2015	2016	2017	2018
	(in thousands of US\$)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 166,652	\$ 56,226	\$ 79,370	\$ 125,199	\$ 15,333
Term deposits	494,065	—	—	—	—
Restricted cash	—	122,316	30,390	47,253	5,818
Short-term investments	29,384	2,619	410	—	—
Accounts receivable, net	11,599	4,044	4,702	6,098	2,584
Financing receivable, net	6,285	144,457	301,773	125,478	3,486
Total current assets	763,203	403,938	450,813	468,005	156,762
Total assets	1,149,153	1,267,833	1,176,844	1,194,164	437,193
Total current liabilities	46,044	208,751	270,223	370,547	127,514
Total liabilities	46,774	338,445	438,378	485,418	256,255
Total equity	\$ 1,102,379	\$ 929,388	\$ 738,466	\$ 708,746	\$ 180,938

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 history of losses from operations, and we may continue to incur losses in the future.

We have made significant changes to our business scope in recent years. The portfolio of services we offer has evolved from social networking services, or SNS, historically the core of our company's business, to include a used automobile business, a SaaS business and other new initiatives. We have also disposed of existing businesses in order to focus on new business opportunities. In the year ended December 31, 2018, approximately 93.8% of our net revenues were derived from our used automobile sales business. The profitability of our new initiatives has yet to be proven. Our total net revenues increased from US\$47.5 million in 2016 to US\$174.6 million in 2017 and US\$498.2 million in 2018, and losses from continuing operations fluctuated from US\$63.1 million in 2016 to income of US\$8.7 million in 2017 and losses of US\$158.8 million in 2018.

Kaixin, the entity which operates our used automobile sales business, has not been profitable since its inception and had an accumulated deficit of approximately US\$146.1 million as of December 31, 2018. Kaixin incurred net losses from continuing operations of US\$16.0 million, US\$30.5 million and US\$88.9 million in 2016, 2017 and 2018, respectively. We expect to make significant investments to further develop and expand Kaixin's business and these investments may not result in increased revenues or growth on a timely basis or at all. Furthermore, as a public company, Kaixin will incur significant legal, accounting and other expenses that Kaixin did not incur as a subsidiary of a listed company. As a result of these increased expenditures, Kaixin will have to generate and sustain increased revenues to achieve and maintain profitability. Because Kaixin generates approximately 86.6% of our revenues, any risks that would affect Kaixin's business would also affect our financial condition and results of operations.

We expect that Kaixin will continue to incur losses at least in the near term as Kaixin invests in and strives to grow its business. Kaixin may also incur significant losses in the future for a number of reasons, including possible changes in general economic conditions and regulatory environment, slowing demand for used automobiles and its related products and services, increasing competition, weakness in the automotive retail industry generally, as well as other risks described in this annual report, and Kaixin may encounter unforeseen expenses, difficulties, complications and delays in generating revenues or profitability. If growth in its revenues slows, Kaixin may not be able to reduce costs in a timely manner. In addition, if Kaixin reduces variable costs to respond to losses, this may limit its ability to acquire customers and grow its revenues. Accordingly, Kaixin may not achieve or maintain profitability and may continue to incur significant losses in the future.

Expansion into new businesses may present operating and marketing challenges that are different from those that we currently encounter, and we cannot assure you that our new business initiatives will be successful enough to justify the time, effort and resources that we devote to them. If our used automobile business does not continue to grow as rapidly as we hope or if we cannot control costs effectively as the business grows, we may not be able to achieve profitability.

We have a limited operating history in the automobile sales business. Our historical financial and operating performance may not be indicative of, or comparable to, our future prospects and results of operations.

Although we formed Kaixin in 2011, it has changed its business model significantly since its initial launch. Kaixin began as primarily an internet-based financing business and has developed into a used automobile retailer with strong online and offline presence. As a result, Kaixin's business model has not been fully proven, and we have only a limited operating history with its new business model against which to evaluate its business and future prospects, which subjects us to a number of uncertainties. Furthermore, we intend to continue to expand Kaixin's dealership network, and such growth may make financial information for future periods less comparable to prior periods. Accordingly, our historical financial results should not be considered indicative of our future performance and may be less comparable to financial results for future periods.

Additionally, we have limited experience in most aspects of Kaixin's business operations, including online/offline auto sales operations, financing facilitation and other value-added services and the development of long-term relationships with platform participants, such as dealers, financial institutions and car buyers. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including achieving market acceptance of Kaixin's platform, attracting and retaining customers, expanding Kaixin's partnerships and the scope of its platform, increasing competition, and increasing expenses as Kaixin continues to grow its business. We cannot assure you that we will be successful in addressing these and other challenges we may face in the future, and if we do not manage these risks successfully, our business may be adversely affected. In addition, we may not achieve sufficient revenues to achieve or maintain positive cash flow from operations or profitability in any given period. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

The laws and regulations governing the auto industry in the PRC are still at a nascent stage and subject to further changes and interpretation. As the market, the regulatory environment and other conditions evolve, Kaixin's existing solutions and services may not continue to deliver the expected business results. As its business develops and responds to competition, Kaixin may continue to introduce new services, make adjustments to its existing services, business model or operations in general. Kaixin's ability to retain dealerships, financial institutions, customers and other platform participants and to attract new platform participants are also critical to its business. Any significant change to its business model or failure to achieve the intended business results may have a material and adverse impact on Kaixin's financial condition and results of operations. Therefore, it may be difficult to effectively assess our future prospects.

We no longer own 100% of the equity interest in our used automobile sales business, and our equity interest in the business may be further reduced.

Kaixin, the entity which operates our used automobile sales business, was responsible for approximately 93.8% of our net revenues in 2018, and is likely to remain responsible for the vast majority of our net revenues for the foreseeable future. Pursuant to a series of transactions that closed on April 30, 2019, our equity interest in Kaixin was reduced below 100%. We refer to this series of transactions as the "Kaixin Offering." See "Item 4. Information on the Company—A. History and Development of the Company—Kaixin Offering" for more information on our shareholding in Kaixin, which is subject to earnout provisions and other contingencies.

Kaixin has reserved approximately 4.7 million ordinary shares for issuance under its equity incentive plan. If all of the currently outstanding grants plus any future grants permitted under this equity incentive plan were exercised, our equity interest in Kaixin will be further reduced to 64.0%, assuming no other changes to Kaixin's shareholding structure.

Furthermore, under the equity purchase agreements pursuant to which Kaixin has acquired majority control of its dealerships and certain after-sale partners, Kaixin is obligated to make certain payments of its ordinary shares over a six-year period to sellers who have retained a minority interest in the special purpose holding entity of those dealerships and after-sale service centers. In connection with the Kaixin Offering, Renren has agreed to bear the obligation to make these payments and indemnify Kaixin for related liabilities. As of December 31, 2018, Kaixin carried short-term and long-term contingent consideration with a fair value amounting to US\$105.7 million. The transfer of Kaixin ordinary shares by Renren to these minority owners of these special purpose holding entities in satisfaction of this contingent consideration would further reduce our ownership interest in Kaixin. Kaixin may enter into similar agreements in the future with owners of dealerships in connection with the expansion of its business, which could further reduce our ownership interest in Kaixin. For additional information, please see “Item 4.B—Business Overview—Certain Legal Arrangements—Legal Arrangements with Dealerships and After-Sale Partners” and note 5 to the accompanying financial statements.

Under the terms of the business combination agreement, Renren is entitled to receive up to an additional 19.5 million ordinary shares of Kaixin depending on Kaixin’s financial performance for the years ended 2019 and 2020. However, there is no guarantee that Renren will receive any of these shares.

While we expect that we will continue to consolidate Kaixin in our financial statements, such that we would recognize all of Kaixin’s revenues and expenses, net income attributable to Renren Inc. may be materially less than our net income due to the various minority interests in Kaixin. If Kaixin engages in additional capital raising transactions, our ownership interest may be further reduced. The more that our ownership interest in Kaixin is reduced, the less that holders of Renren ordinary shares and Renren ADSs may benefit from any growth in Kaixin.

Kaixin’s recent, rapid growth may not be indicative of its future growth and, if it continues to grow rapidly, it may not be able to manage its growth effectively.

Kaixin’s net revenues grew from US\$20.8 million in 2016 to US\$116.6 million in 2017 and US\$431.4 million in 2018. We expect that, in the future, even if Kaixin’s revenues increase, its rate of revenue growth may decline. In any event, Kaixin will not be able to grow as fast or at all if it does not:

- increase the number of users on its mobile apps and websites and increase the number of customers of its used auto sales business;
- further improve the quality of its product and service offerings, features and complementary products and services, and introduce high quality new products, services and features;
- introduce additional third-party products and services; or
- acquire sufficient appropriate inventory at an attractive cost and high quality to meet the increasing demand for its vehicles.

There can be no assurance that Kaixin will meet these objectives. Kaixin expects to continue to expend substantial financial and other resources on:

- marketing and advertising;
- expansion of its vehicle inventory; and
- general administration, including legal, accounting and other compliance expenses.

Kaixin’s historical rapid growth has placed and may continue to place significant demands on its management and its operational and financial resources, as Kaixin experiences further growth in the number of users of its platform as well as the amount of data that Kaixin analyzes. Kaixin has hired and expects to continue to hire additional personnel to support its rapid growth. Kaixin’s organizational structure is becoming more complex as Kaixin adds staff, and it will need to improve its operational, financial and management controls as well as its reporting systems and procedures. Kaixin will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining its corporate culture of rapid innovation, teamwork and attention to the car buying experience for the consumer. If we cannot manage Kaixin’s growth effectively to maintain the quality and efficiency of its customers’ car buying experience and the quality of the vehicles it sells, our business could be harmed and our results of operations and financial condition could be materially and adversely affected.

Kaixin's business has grown rapidly as additional customers have purchased used automobiles and complementary products and services through its platform. However, Kaixin's business is relatively new and has operated at substantial scale for only a limited period of time. Given this limited history, it is difficult to predict whether we will be able to maintain or grow Kaixin's business. We also expect that Kaixin's business will evolve in ways that may be difficult to predict. For example, over time the investments intended to drive new customer traffic to its website may be less productive than expected. In the event of this or any other adverse developments, our continued success will depend on our ability to successfully adjust Kaixin's strategy to meet changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations and financial condition could be materially and adversely affected.

Kaixin's dealerships conduct many aspects of its business, and Kaixin faces risks associated with its dealerships, their employees and other personnel.

We have a network of 14 dealerships across China, all of which are operated by Kaixin. Kaixin relies on its dealerships to conduct significant aspects of its business. Our control over these dealerships may not be as effective as if we fully owned these partners' businesses, which could potentially make it difficult for us to manage them.

Kaixin's dealerships and their employees directly interact with consumers, other dealerships and other platform participants, and their performance directly affects Kaixin's reputation and brand image. If Kaixin's service personnel or those of its dealerships fail to satisfy the needs of consumers, respond effectively to their complaints, or provide services to their satisfaction, its reputation and the loyalty of its customers could be negatively affected. As a result, Kaixin may lose customers or experience a decrease in business volume, which could have a material adverse effect on its business, financial condition and results of operations. Kaixin does not directly supervise the services provided by its dealerships and their personnel and may not be able to successfully maintain and improve the quality of their services. Dealerships may also fail to implement sufficient control over their sales, maintenance and other personnel. In addition, Kaixin has developed an affiliated network dealer model pursuant to which Kaixin sources and markets used automobiles in its dealerships under profit-sharing arrangements with third parties who provide these vehicles to it. Kaixin has little control over the actions of these Kaixin affiliated network dealers, and their failure to comply with laws or ethical business practices may harm Kaixin's reputation or results of operations. As a result of the conduct of dealerships or Kaixin affiliated network dealers, Kaixin may suffer financial losses, incur liabilities and suffer reputational damage. In addition, while violation of laws and regulations by dealerships and Kaixin affiliated network dealers has not led to any material claims against Kaixin in the past, there can be no assurance that such a claim will not arise in the future which may harm Kaixin's brand or reputation or have other adverse impacts.

In August 2018, a notice from the Shandong Luokou police bureau was placed at the location of our Ji'nan dealership. This notice stated that there is an ongoing investigation concerning the dealership premises, and relevant persons must cooperate with the investigation. We understands that the investigation concerns an individual who holds 30% of the Ji'nan dealership's equity interests, and not the Ji'nan dealership itself. However, because of the co-location of certain business and assets by the Ji'nan dealership and its 30% minority shareholder, further, we have determined that it is more likely than not that we cannot enforce the realization of inventory value and that suppliers to the Ji'nan dealership are unable to fulfill their contract obligations by either delivering vehicles or returning money to Kaixin due to the ongoing investigation, Kaixin had written off all inventory and advances to suppliers of the Ji'nan dealership, which totaled US\$5.7 million and US\$16.1 million respectively in 2018. This dealership has ceased operations pending the resolution of the legal proceedings and the 14 dealerships in our network does not include the Ji'nan dealership. Kaixin transferred the equity interests in the Ji'nan dealership and the related assets to a wholly-owned subsidiary of Renren in December 2018. In addition, government proceedings and litigation, as well as negative publicity surrounding this incident, could divert management attention and adversely affect our operating results. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for more information.

Further, suspension or termination of a dealership's or a dealership outlet's services in a particular geographic area may cause interruption to or failure in Kaixin's services in that area. A dealership operator may suspend or terminate his or her services or cooperation with Kaixin for various reasons, including for other than third-party reasons or force majeure. In addition, although this could contravene Kaixin's agreements with them, due to the intense competition in its industry, existing dealerships may also choose to discontinue their cooperation with Kaixin and work with its competitors instead. Kaixin may not be able to promptly replace its dealerships or find alternative ways serve their geographic areas in a timely, reliable and cost-effective manner, or at all. As a result of any service disruptions associated with dealerships, customer satisfaction, brand, reputation, operations and financial performance may be materially and adversely affected.

Kaixin may not be able to successfully expand or maintain its network of dealerships.

As of December 31, 2018, Kaixin had a network of 14 dealerships. Kaixin's dealership network is a foundation of its platform, and Kaixin relies on its dealerships in providing services to car buyers and financial institutions. Kaixin plans to expand its dealership network as its business grows. As China is a large and diverse market, business practices and demands may vary significantly by region and Kaixin's experience in the markets in which it currently operates may not be applicable in other parts of China. As a result, Kaixin may not be able to leverage its experience to expand its dealership network into other parts of China. Furthermore, Kaixin's efforts to expand into new geographical markets and attract new dealers to its platform may impose considerable burden on its sales, marketing and general managerial resources. If Kaixin is unable to manage its expansion efforts effectively, if Kaixin's expansion efforts take longer than planned or if costs for these efforts exceed Kaixin's expectations, our results of operations may be materially and adversely affected.

Further, Kaixin may have difficulties managing its relationships with its dealership operators once they have earned the share payouts to which they are entitled to pursuant to Kaixin's equity purchase agreements, in which they are entitled to payment of consideration in Kaixin's ordinary shares based on the dealerships' performance over five 12-month performance benchmark periods. Following the completion of these performance benchmark periods, Kaixin may need to enter into new arrangements with its dealership operators in order to strengthen its relationships with them and incentivize their performance or begin to directly operate its dealerships, notwithstanding Kaixin's ownership and operational control over its dealerships. For additional information, please see "Item 4.B—Business Overview—Certain Legal Arrangements—Legal Arrangements with Dealerships and After-Sale Partners."

Other dealers with which Kaixin's dealerships collaborate in the future could take actions that could harm Kaixin's business and that of its dealerships.

In the future, Kaixin may permit its dealership operators to develop and operate other dealership outlets in their defined geographic areas. Accordingly, certain dealership operators may elect to cooperate with third parties to develop and operate dealership outlets in the geographic area covered by the relevant agreement. Kaixin's existing dealership agreements contractually obligate dealerships to operate in accordance with specified standards, including synchronization of their operations with the wider Kaixin platform and integration with its Dealer SaaS system. However, Kaixin may not be a party to any agreements between its dealership operators and their third-party partners. As a result, Kaixin would be dependent upon dealership operators to enforce these standards with respect to these additional dealerships and more broadly, to ensure their success. As a result, the ultimate success and quality of any additional location would depend on the dealership operators. If any such additional dealership outlets do not successfully operate in a manner consistent with required standards, their performance, the performance of its dealerships and ultimately, the performance of Kaixin could be adversely affected and Kaixin's brand image and reputation may be harmed, which could materially and adversely affect Kaixin's business and operating results.

Any difficulties in identifying, consummating and integrating acquisitions, investments or alliances may expose Kaixin to potential risks and have an adverse effect on its business, results of operations or financial condition.

Kaixin has in the past made and may in the future seek to make acquisitions and investments and enter into strategic alliances to further expand its business. If it is presented with appropriate opportunities, Kaixin may acquire additional businesses, services, resources, or assets, including auto dealerships, that are accretive to its core business. There can be no assurance that Kaixin will always be able to complete such acquisitions successfully or on terms acceptable to it. Integration of entities or assets that Kaixin acquires into its business may not be successful and may prevent Kaixin from expanding into new services, customer segments or operating locations. This could significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into Kaixin's operations could require significant attention from its management. The diversion of the attention of Kaixin's management and any difficulties encountered in any integration process could have an adverse effect on its ability to manage its business.

Kaixin's possible future acquisitions of auto dealerships, other acquisitions, investments or strategic alliances may also expose it to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from its existing businesses and technologies, its inability to generate sufficient revenues to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with dealerships, employees, customers as a result of its integration of new businesses. In addition, Kaixin may recognize impairment losses on goodwill arising from its acquisitions. The occurrence of any of these events could have a material and adverse effect on Kaixin's ability to manage its business, its financial condition and our results of operations.

The quality of the premium used automobiles Kaixin offers is critical to the success of its business.

Kaixin offers a wide selection of premium used automobiles for sale at its dealerships. Kaixin has implemented high standards for the used automobile inventory it offers for sale and only offers for sale vehicles that are able to pass its thorough inspection process consisting of over 140 steps. Kaixin does not offer for sale vehicles which are in poor condition, have a history of accidents, water or fire damage and extensive mileage, or other unacceptable attributes. However, there can be no assurance that these inspections and other measures will be effective, and there is a risk that the automobiles offered for sale on Kaixin's platform could have defects. As a result, Kaixin and its dealerships are exposed to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against Kaixin or its dealerships as a result of the sale of such products.

In addition, Kaixin developed a Kaixin affiliated network dealer model in 2018, pursuant to which it sources and markets used automobiles at dealerships under profit-sharing arrangements with third parties who provide these vehicles. Although Kaixin screens and recondition these vehicles according to the same procedures as its other used vehicles, Kaixin may have less control of the inventory sourced through this model and faces risks relating to the activities of Kaixin affiliated network dealers with whom it cooperates. Any defects in the used or new cars Kaixin offers for sale, whether or not they are actually sold to customers, could have a material and adverse impact on Kaixin's reputation, results of operation and financial condition.

Kaixin's success depends upon the continued contributions of its salespeople.

Kaixin's salespeople, who are primarily employed by its dealerships, are a driving force behind its success. Kaixin believes that one factor that distinguishes it is its culture centered on valuing all salespeople. Any failure to maintain this culture or to continue recruiting, developing and retaining the salespeople that drive Kaixin's success could have a material adverse effect on its business, sales and results of operations. Kaixin also faces risks related to the loyalty of its salespeople. Referrals of leads by salespeople to friends or others in side deals is a common phenomenon in its industry in China, and if Kaixin's salespeople seek to profit themselves personally at Kaixin's expense, this could hurt its business and results of operations. Kaixin's ability to recruit salespeople while controlling related costs is subject to numerous external and internal factors, including unemployment levels, prevailing wage rates, growth plans, changes in employment legislation, and competition for qualified employees in the industry and regions in which Kaixin operates. This competition is especially fierce for qualified service technicians. Kaixin's ability to recruit salespeople while controlling related costs is also subject to its ability to maintain positive employee relations. If Kaixin is unable to do so, or if, despite its efforts, becomes subject to successful unionization efforts, it could increase costs, limit Kaixin's ability to respond to competitive threats and have a material adverse effect on its business, sales and results of operations.

Kaixin's success also depends upon the continued contributions of its dealership, regional and corporate management teams. Consequently, the loss of the services of any of key personnel could have a material adverse effect on Kaixin's business, sales and results of operations. In addition, an inability to build its management bench strength to support growth could have a material adverse effect on Kaixin's business and sales and our results of operations.

Kaixin relies on a limited number of financial institutions to fund the consumer auto financing transactions it facilitates, and any adverse change in its relationships with such financial institutions may materially and adversely impact Kaixin's business and results of operations.

Kaixin relies on a limited number of financial institutions to fund financing transactions to car buyers. Loans from Ping An Bank, Shanghai Branch accounted for substantially all of the loans it facilitated to consumers through Kaixin's consumer auto loan financing facilitation business in 2017 and 2018. Kaixin has also entered into an agreement with another major PRC financial institution and anticipates that financing from such institution will comprise a substantial proportion of the financing facilitated by Kaixin's platform in the future. The availability of funding from financial institutions depends on many factors, some of which are out of Kaixin's control. Financial institutions may find Kaixin's services to be ineffective, or its service fees to be expensive. Customers who enter into financing arrangements may fail to effectively pledge their purchased cars as collateral in connection with the financing arrangements. In addition, delinquencies by Kaixin's customers may also lead financing partners to limit or terminate their relationships with it. For further information as to Kaixin's arrangements with these financial institutions, see "Item 4.B—Business Overview—Certain Legal Arrangements—Legal Arrangements with Financial Institutions." There can be no assurance that Kaixin will be able to rely on such funding arrangements in the future or that it would be able to replace one of its financing partners in the event they ceased their relationship with it. Although Kaixin continues to identify new financial institutions to collaborate with, there can be no assurance that the financial institutions it collaborates with will become increasingly diversified in the future. Given Kaixin's current dependence on a few financial institutions, if its relationship with any such institution or their channel partners deteriorates, if any such financial institution determines not to collaborate with Kaixin or limits the funding that is available for financing transactions facilitated by Kaixin, or if any such financial institution encounters liquidity issues in general, Kaixin's business and financial condition and our results of operations may be materially and adversely affected.

Further, Ping An Bank, Shanghai Branch and other financing institutions can significantly influence the terms of Kaixin's consumer auto finance loans, including the interest rates, term and collateral provisions, and Kaixin has little influence over these terms. In order to maintain and foster its cooperation with Ping An Bank, Shanghai Branch and other financing institutions, Kaixin may have to accommodate demands that they may impose on it in the future. Such demands and requirements may increase costs to Kaixin, weaken its connection with customers, or even be disruptive to its existing auto loan financing facilitation business. In addition, Ping An Bank, Shanghai Branch and other financing institutions also cooperate with certain of Kaixin's competitors and, as a result, may have interests which are adverse or in conflict with Kaixin's, which could harm Kaixin's business and materially and adversely affect our results of operations.

In addition, Kaixin's ability to collaborate with financial institutions may become subject to new regulatory limitations, as the laws and regulations governing the automotive finance industry in the PRC continue to evolve. In the event there is a sudden or unexpected shortage of funds from financial institutions Kaixin collaborates with or if they experience disruption to their operations for any reason, Kaixin's ability to serve car buyers will be adversely affected. Kaixin may from time to time experience constraints as to the availability of funds from financial institutions, especially as its business continues to grow and the need for funding increases. Such constraints may affect user experience, including by limiting the approval of customers' credit applications. Such limitations may also restrain the growth of Kaixin's business. Any prolonged constraint as to the availability of funds from financial institutions may also harm Kaixin's reputation or result in negative perception of the services it offers, thereby decreasing the willingness of prospective car buyers to seek automotive financing solutions offered by its partners or the willingness of dealers and other platform participants to collaborate with Kaixin.

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

For most of its history since its inception, we have supported Kaixin's operations, the expansion of its dealerships and the growth of its business. Kaixin has also raised capital through its own efforts. In the past, Kaixin completed two issuances of asset-backed securities on the Shanghai Stock Exchange that were backed by Kaixin's finance lease assets. Recently, Kaixin raised approximately US\$30.9 million from third-party sources in the Kaixin Offering, which closed on April 30, 2019. As Kaixin intends to continue to make investments to support the growth of its business, it may require additional capital to pursue its business objectives and respond to business opportunities, challenges or unforeseen circumstances, including increasing the number of cars it sells, developing new solutions and services, increasing its sales and marketing expenditures to improve brand awareness and engage car buyers through expanded online channels, enhancing Kaixin's operating infrastructure and acquiring complementary businesses and technologies. However, additional funds may not be available when Kaixin needs them, on terms that are acceptable to it, or at all.

We have significant credit exposure to a related party.

Approximately 21.5% of our total assets is comprised of a note that was issued to Renren by Oak Pacific Investment in June 2018. The principal amount of the note was US\$90,000,000, the interest rate was 8% per year, and the term was the earlier of five years and the date upon which Oak Pacific Investment and its subsidiaries no longer hold any shares of Social Finance Inc. In March 2019, the interest rate was increased to 8.5% per year in connection with a refinancing of Oak Pacific Investment's debt obligations. The amount current owed to us under the note is approximately US\$93.9 million. This note is junior to certain other notes issued by Oak Pacific Investment.

Oak Pacific Investment was formerly our wholly-owned subsidiary and is now a privately held company. Our chief executive officer Joseph Chen, our chief operating officer James Jian Liu and our chief financial officer Thomas Ren each hold the same position in Oak Pacific Investment. Mr. Chen is also the second largest shareholder in Oak Pacific Investment. Oak Pacific Investment holds a large portfolio of shares in a variety of early-stage and late-stage pre-IPO companies that we had previously owned and managed. In June 2018, we disposed of Oak Pacific Investment in a series of transactions. See "Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction" for more information.

If Oak Pacific Investment is unable to repay the note when it comes due, our financial position would be materially adversely affected.

If Kaixin incurs debt to raise capital, repayment of debt may divert a substantial portion of cash flow to repay principal and service interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; and Kaixin may suffer default and foreclosure on its assets if Kaixin's operating cash flow is insufficient to service debt obligations, which could in turn result in acceleration of obligations to repay the indebtedness and limit Kaixin's sources of financing. Volatility in the credit markets may also have an adverse effect on Kaixin's ability to obtain debt financing. If Kaixin raises additional funds through further issuances of equity or convertible debt securities, our ownership interest in Kaixin could suffer significant dilution, and any new equity securities Kaixin issues could have rights, preferences and privileges superior to ours.

If Kaixin is unable to obtain adequate financing or financing on terms satisfactory to it when Kaixin requires it, Kaixin's ability to continue to pursue its business objectives, fund its dealerships and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and its business, financial condition, results of operations and prospects could be adversely affected.

Kaixin operates in a highly competitive industry. Failure to develop and execute strategies to maintain its market position and to adapt to the increasing use of the internet to market, buy, sell and finance used vehicles could adversely affect its business, sales and results of operations.

Automotive retailing is a highly competitive and highly fragmented industry in China. Kaixin's competition includes publicly and privately owned used and new car dealers and online and mobile sales platforms, as well as millions of private individuals. Competitors buy and sell the same or similar makes of vehicles that Kaixin offers in the same or similar markets at competitive prices.

Retail Competition. Some of Kaixin's competitors have announced plans for rapid expansion, including into markets with Kaixin locations, and some of them have begun to execute those plans. If Kaixin fails to respond effectively to its retail competitors, it could have a material adverse effect on Kaixin's business, sales and results of operations.

Online Sales and Facilitation. Although mobile apps and online marketing are important to Kaixin's own business model, the increasing use of the internet to market, buy and sell used vehicles and to provide vehicle financing could have a material adverse effect on Kaixin's sales and results of operations. Emerging competitors using online focused business models, both for direct sales and consumer-to-consumer facilitation, could materially impact Kaixin's current business model. The online availability of used vehicle information from other sources, including pricing information, could make it more difficult for Kaixin to differentiate its customer offerings from competitors' offerings, could result in lower-than-expected retail margins, and could have a material adverse effect on Kaixin's business, sales and results of operations. In addition, Kaixin's competitive standing is affected by companies, including search engines and online classified sites, that are not direct competitors but that may direct online traffic to the websites of competing automotive retailers. The increasing activities of these companies could make it more difficult for Kaixin to attract users to its mobile app. These companies could also make it more difficult for Kaixin to otherwise market its vehicles online.

The increasing use of the internet to facilitate consumers' purchases and sales of their current vehicles could have a material adverse effect on Kaixin's ability to source vehicles, which in turn could have a material adverse effect on its vehicle acquisition costs and results of operations. For example, certain websites provide online appraisal tools to consumers that generate offers and facilitate purchases by dealers other than Kaixin.

In addition to the direct competition and increasing use of the internet described above, there are companies that sell software and data solutions to used and new car dealers to enable those dealers to, among other things, more efficiently source and price inventory. Although these companies do not compete with Kaixin, the increasing use of such products by dealers who compete with Kaixin could reduce the relative competitive advantage of Kaixin's internally developed proprietary systems.

If Kaixin fails to respond effectively to competitive pressures or to changes in the used vehicle marketplace, it could have a material adverse effect on Kaixin's business, sales and results of operations.

Kaixin operates in an evolving and fast-changing market.

The automotive retail market, including the consumer automotive finance market, in the PRC is highly dynamic and at an early stage of development. While it has undergone significant growth in the past few years, there is no assurance that it can continue to grow as rapidly. As part of its business, Kaixin offers retail auto sales of premium used vehicles, financing, including consumer loans provided by its financing partners, automobile insurance providers and value-added services to various participants in the automotive transaction value chain, including dealers, financial institutions, car buyers, service providers and other industry participants. Helping more industry participants recognize the value of Kaixin's services in a rapidly evolving market is critical to increasing the number and amount of used automobiles and other transactions Kaixin completes and to the success of its business.

You should consider Kaixin's business and prospects in light of the risks and challenges it encounters or may encounter given the rapidly-evolving market in which it operates and its limited operating history. These risks and challenges include Kaixin's ability to, among other things:

- source, market and sell used and new cars in substantial volumes and on favorable terms;
- effectively manage and expand its network of dealerships;
- facilitate automotive financing to a growing number of car buyers;
- maintain and enhance its relationships and business collaboration with dealers, financial institutions and other platform participants;
- charge competitive service fees to platform participants while driving the growth and profitability of its business;
- improve its operational efficiency;
- attract, retain and motivate talented employees, particularly sales and marketing and technology personnel to support its business growth;
- adapt to technological change, such as the development of autonomous vehicles, new products and services, new business models and new methods of travel;
- enhance its technology infrastructure to support the growth of its business and maintain the security of its system and the confidentiality of the information provided and collected across its system;
- navigate economic conditions and fluctuations;
- implement its business strategies, including the offering of new services; and
- defend itself against legal and regulatory actions, such as actions involving intellectual property or data privacy claims.

If Kaixin is unable to adapt to any of these factors in its rapidly evolving market, its business and performance and our results of operations could suffer.

Kaixin's success depends on its ability to attract prospective car buyers.

The growth of Kaixin's business depends on its ability to attract prospective car buyers. Kaixin primarily purchases car models that are reliable, reasonably priced and, based on its insights as to car buyers, feedback from registered dealers and market analysis as to perception and demand for such models, will appeal to car buyers in lower-tier cities. Kaixin prices cars based on its insights derived from automotive transaction data associated with the facilitation of automotive financing solutions as well as data from other automotive transactions. Kaixin has limited experience in the purchase of cars for sale, and there is no assurance that Kaixin will be able to do so effectively. Demand for the type of cars that Kaixin purchases can change significantly between the time the cars are purchased and the date of sale. In addition, the models offered by Kaixin's dealerships may not be popular among prospective car buyers, which could materially and adversely affect Kaixin's business, results of operations and financial condition. Demand may be affected by new car launches, changes in the pricing of such cars, defects, changes in consumer preference and other factors. Kaixin may also need to adopt more aggressive pricing strategies for the cars it purchases than originally anticipated to stoke consumer demand. Kaixin faces inventory risk in connection with the cars purchased, including the risk of inventory obsolescence, decline in value, and significant inventory write-downs or write-offs. If Kaixin were to adopt more aggressive pricing strategies, its profit margin may be negatively affected as well. Kaixin may also face increasing costs associated with the storage of inventory. Any of the above may materially and adversely affect Kaixin's financial condition and results of operations.

In order to expand Kaixin's base of car buyers, it must continue to invest significant resources in the development of new solutions and services and build its relationships with financial institutions, auto dealers and other platform participants. Kaixin's ability to successfully launch, operate and expand its solutions and services and to improve user experience to attract prospective car buyers depends on many factors, including its ability to anticipate and effectively respond to the changing interests and preferences of car buyers, anticipate and respond to changes in the competitive landscape, and develop and offer solutions and services that address the needs of car buyers on Kaixin's platform. If Kaixin's efforts in these regards are unsuccessful, its base of car buyers may not increase at the rate Kaixin anticipates, and it may even decrease. As a result, Kaixin's business, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, in order to attract prospective car buyers, Kaixin must also devote significant resources to enhancing the experience of car buyers on its platform on an ongoing basis. Kaixin must enhance the functionality and ensure the reliability of its platform. If Kaixin fails to provide superior customer service or address complaints of car buyers on its platform in a timely manner, it may fail to attract prospective car buyers as to its solutions and services, and the number of financing transactions it facilitates may decline.

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

The growth of our business relies on our branding efforts and these efforts may not be successful.

Kaixin Auto brand was newly launched in the first half of 2018 and Kaixin believes that an important component of its growth will be the growth of visitors to its website and dealerships. Because Kaixin is a consumer brand, brand visibility is critical for its engagement with potential customers. Kaixin currently advertises through a blend of brand and direct advertising channels with the goal of increasing the strength, recognition and trust in the Kaixin Auto brand and driving more unique visitors to its website. Kaixin recorded selling and marketing expenses of approximately US\$8.0 million, US\$10.7 million and US\$24.1 million in 2016, 2017 and 2018, respectively.

Kaixin's business model relies on its ability to scale rapidly and to appropriately manage customer acquisition costs as it grows. If Kaixin is unable to establish a strong and trusted brand and recover its marketing costs through increases in customer traffic and in the number of transactions by users of its platform, or if its broad marketing campaigns are not successful or are terminated, it could have a material adverse effect on Kaixin's growth, results of operations and financial condition.

We have disposed of the right to use the Renren brand to the purchaser of our social networking services business, which represents a strategic shift of our operations where we will no longer focus on social networking services business. See "Item 4. Information on the Company—A. History and Development of the Company—Sale of SNS Business."

Any harm to Kaixin's brand or reputation or any damage to the reputation of third parties or failure to enhance Kaixin's brand recognition could have a material adverse effect on its results of operations and growth prospects.

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

- maintain the quality and reliability of its platform;
- maintain and develop relationships with auto dealers and financial institutions;
- provide prospective car buyers and existing car buyers with superior experiences;
- effectively manage and resolve any complaints of car buyers, auto dealers Kaixin works with or financial institutions; and
- effectively protect personal information and privacy of car buyers and any sensitive data received from financial institutions.

Any malicious or inadvertent negative allegations made by the media or other parties about the foregoing or other aspects of Kaixin, including but not limited to its management, business, compliance with law, financial condition or prospects, whether with or without merit, could severely hurt Kaixin's reputation and harm its business and results of operations.

Negative publicity about China's automotive finance industry in general may also have a negative impact on Kaixin's reputation, regardless of whether Kaixin has engaged in any inappropriate activities. Furthermore, any negative development in the automotive retailing industry, such as bankruptcies or failures of platforms providing automotive retailing services, and especially a large number of such bankruptcies or failures, or negative perception of the industry as a whole, even if factually incorrect or based on isolated incidents, could compromise Kaixin's image, undermine the trust and credibility it has established and impose a negative impact on its ability to attract new dealers, financial institutions, car buyers and other platform participants. Negative developments in the automotive retailing industry may also lead to tightened regulatory scrutiny of the sector and limit the scope of permissible business activities that may be conducted by companies like Kaixin. If any of the foregoing takes place, Kaixin's business and results of operations could be materially and adversely affected.

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

Kaixin relies on internet search engines, social networking sites and third-party automotive sales platforms to help drive traffic to its website and mobile app, and if it fails to appear prominently in the search results or fails to drive traffic through paid advertising, its traffic would decline and its business would be adversely affected.

Kaixin depends in part on internet search engines, social networking sites and third-party auto sales platforms to drive traffic to its website and mobile app. Kaixin's ability to maintain and increase the number of visitors directed to its website and mobile app is not entirely within its control. Kaixin's competitors may increase their search optimization efforts and outbid Kaixin for search terms on various search engines, resulting in their websites receiving a higher search result page ranking than Kaixin's. Additionally, internet search engines and third-party auto sales platforms could revise their methodologies in a way that would adversely affect Kaixin's search result rankings. If internet search engines and third-party auto sales platforms modify their search algorithms in ways that are detrimental to Kaixin, or if competitors' efforts are more successful than Kaixin's, overall growth in its customer base could slow or its customer base could decline. Internet search engine providers could display automotive dealer and pricing information directly to users in search results, align with Kaixin's competitors or choose to develop competing services. Kaixin expects that its website and mobile app will experience fluctuations in search result rankings in the future. Any reduction in the number of users directed to Kaixin's website and mobile app through internet search engines, social networking sites and third-party auto sales platforms could harm its business and operating results.

Kaixin's ability to grow its complementary product and service offerings may be limited, which could negatively impact its growth rate, revenues and financial performance.

If Kaixin introduces or expands additional offerings for its platform, such as services or products involving new cars, financing, leasing or detailing, it may incur losses or otherwise fail to enter these markets successfully. Kaixin's expansion into these markets will place it in competitive and regulatory environments with which it is unfamiliar and involve various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, if at all. In attempting to establish new service or product offerings, Kaixin expects to incur significant expenses and face various other challenges, such as expanding its customer service and management personnel to cover these markets and complying with complicated regulations that apply to these markets. In addition, Kaixin may not successfully demonstrate the value of these complementary products and services to consumers, and failure to do so would compromise its ability to successfully expand into these additional streams of revenues. Any of these risks, if realized, could adversely affect our business and results of operations.

The automotive retail industry in general and Kaixin's business in particular are sensitive to economic conditions. These conditions could adversely affect our business, sales, results of operations and financial condition.

Kaixin is subject to national and regional economic conditions. These conditions include, but are not limited to, recession, inflation, interest rates, unemployment levels, gasoline prices, consumer credit availability, consumer credit delinquency and loss rates, personal discretionary spending levels, and consumer sentiment about the economy in general. These conditions and the economy in general could be affected by significant national or international events such as acts of terrorism. If economic conditions worsen or stagnate, it can have a material adverse effect on consumer demand for vehicles generally, on demand from particular consumer categories or on demand for particular vehicle types. It can also negatively impact availability of credit to finance vehicle purchases for all or certain categories of consumers. This could result in lower sales, decreased margins on units sold, and decreased profits for Kaixin's business. Worsening or stagnating economic conditions can also have a material adverse effect on the supply of premium used vehicles, as automotive manufacturers produce fewer new vehicles and consumers retain their current vehicles for longer periods of time. This could result in increased costs to acquire used vehicle inventory and decreased margins on units sold.

Any significant change or deterioration in economic conditions could have a material adverse effect on Kaixin's business, sales, results of operations and financial condition.

Kaixin's ability to operate and grow its platform depends in substantial part on its ability to access data and other resources that are available from a limited number of third parties.

In order to deliver the full functionality offered by Kaixin's platform, including its Dealer SaaS system which empowers its dealerships in their operations and connects them to other platform participants, Kaixin needs continued access to sources of used auto market information, much of which is available only from a limited number of databases and other third parties, and other portions of which are publicly available from other sources, including public listings and the public websites or applications of Kaixin's competitors.

Kaixin has developed various processes to obtain data from certain sources of used automobile market information and other third parties. In certain cases, Kaixin has entered into arrangements with parties who provide it raw market data for use in its systems. The terms of the arrangements under which Kaixin has access to such data vary, which can impact the offering Kaixin is able to deliver. For instance, many agreements have terms that limit Kaixin's access to and permitted uses of listing, sales or pricing data. In addition, Kaixin relies on tools to gather publicly available information for use in its proprietary data systems.

The third parties with whom Kaixin currently contracts for data may, in the future, change their position and limit or eliminate Kaixin's access to data and resources, increase the costs for access, provide data and resources to it in more limited or less useful formats, or restrict Kaixin's permitted uses of data and resources. There can also be no assurance that the publicly available data Kaixin collects and utilizes will continue to be available or that the tools Kaixin uses to collect it will continue to be able to gather and format it appropriately or at all. Failure to continue to maintain and expand Kaixin's access to suitable pricing, listing and other data and resources may adversely impact its ability to continue to serve its dealerships and other platform participants and expand its offering to new customers.

If Kaixin's access to the data and resources necessary to support its platform is eliminated or reduced or becomes more costly to it, Kaixin's ability to compete in the marketplace or to grow its business could be impaired and its operating results would suffer.

Kaixin's business generates and processes a large quantity of data, and improper handling of or unauthorized access to such data may adversely affect its business.

Kaixin faces risks related to complying with applicable laws, rules and regulations governing the collection, use, disclosure and security of personal information, as well as any requests from regulatory and government authorities relating to such data. For instance, Kaixin's Dealer SaaS system utilizes and generates substantial volumes of data on consumers and dealers, and Kaixin and its dealerships rely on it for their operations and inventory management. This information includes the information customers provide when purchasing a vehicle and applying for vehicle financing. In the event that Kaixin experienced a failure of its information systems, its operations and financial performance could be materially harmed, and if the information were accessed by third parties or publicized without authorization, its reputation or competitive position could suffer.

The PRC regulatory and enforcement regime with regard to data security and data protection has continued to evolve. There are uncertainties on how certain laws and regulations will be implemented in practice. PRC regulators have been increasingly focused on regulating data security and data protection. Kaixin expects that these areas will receive greater attention from regulators, as well as attract public scrutiny and attention going forward. This greater attention, scrutiny and enforcement, including more frequent inspections, could increase Kaixin's compliance costs and subject it to heightened risks and challenges associated with data security and protection. If Kaixin is unable to manage these risks, its reputation and results of operations could be materially and adversely affected. For further details please see "Item 4.B—Business Overview—Regulation—Regulations Relating to Information Security."

Kaixin also grants limited access to specified data on its technology platform to certain other parties, such as its dealerships. Kaixin's dealerships face the same challenges and risks inherent in handling and protecting large volumes of data. Any system failure or security breach or lapse on Kaixin's part or on the part of any of such third parties that results in the release of user data, or failure to respond thereto, could harm Kaixin's reputation and brand and, consequently, its business, in addition to exposing it to potential legal liability.

In addition, Kaixin may become subject to additional laws in other jurisdictions. The laws, rules and regulations of other jurisdictions, such as the U.S. and Europe, may impose more stringent or conflicting requirements and penalties than those in China, compliance with which could require significant resources and costs. Kaixin's policies and practices concerning the collection, use and disclosure of user data are posted on its websites. Any failure, or perceived failure, by Kaixin to comply with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against Kaixin by governmental entities or others. These proceedings or actions could subject Kaixin to significant penalties and negative publicity, require it to change its business practices, increase its costs and severely disrupt its business.

We rely on sophisticated information systems to run our business. The failure of these systems, any service disruptions or outages, or the inability to enhance our capabilities could have a material adverse effect on our business, sales and results of operations.

Our business and reputation are dependent upon the performance, reliability, availability, integrity and efficient operation of our information systems. In particular, Kaixin relies on its information systems to manage sales, inventory, its customer-facing websites and applications, including its mobile app, consumer financing and customer information. Kaixin also relies on its big data analytics to review and analyze data from across its platform and assist in its corporate and operational decision-making. There is no assurance that we will be able to protect our platform and computer systems against, among other things, damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, software errors, bugs or defects, configuration errors, computer viruses, denial-of-service attacks, security breaches, hacking attempts or criminal acts at all times. In the event of a service disruption or outage on our platform or in our computer systems, our platform's ability to operate Kaixin's Dealer SaaS system and facilitate loans and our computer systems' ability to store, retrieve, process and manage data may be adversely affected. For example, we may experience temporary service disruptions or data losses during data migrations between old and new systems or system upgrades. We may not be able to recover all data and services in the event of a service disruption or outage. Additionally, our insurance policies may not adequately compensate it for any losses that it may incur during service disruptions or outages.

Any interruption or delays in our services, whether as a result of third-party error or our own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with our customers and other platform participants and our reputation, subject us to liabilities and cause customers and other platform participants to abandon our platform, any of which could adversely affect our business, financial condition and results of operations.

The business opportunities for internet services in China are continually evolving and may not grow as quickly as expected, in ways that are consistent with other markets, or at all.

Our business and prospects depend on the continual development of emerging internet business models in China. Our main internet services have distinct business models which may differ from models for these businesses in other markets, such as the United States, and that are in varying stages of development and monetization. We cannot assure you that the industries in which we operate in China will continue to grow as rapidly as they have in the past, in ways that are consistent with other markets, or at all. With the development of technology, new internet services may emerge which may render our existing service offerings less attractive to users. The growth and development of the internet industries in China is affected by numerous factors, such as the macroeconomic environment, regulatory changes, technological innovations, development of internet and internet-based services, users' general online experience, cultural influences and changes in tastes and preferences. If these internet industries do not grow as quickly as expected or at all, or if we fail to benefit from such growth by successfully implementing our business strategies, our business and prospects may be adversely affected.

Cyber-attacks, computer viruses, physical or electronic break-ins or other unauthorized access to our or our business partners' computer systems could result in misuse of confidential information and misappropriation of funds of our customers and other platform participants, subject us to liabilities, cause reputational harm and adversely impact our results of operations and financial condition.

Our platform collects, stores and processes certain personal information and other sensitive data from our customers and other platform participants. The massive data that we have processed and stored makes us and our server hosting service providers the targets of, and potentially vulnerable to, cyber-attacks, computer viruses, hackers, denial-of-service attacks, physical or electronic break-ins or other unauthorized access. While we have taken steps to protect such confidential information, our security measures may be breached. Because techniques used to sabotage or obtain unauthorized access into 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 or our server hosting service providers' systems could cause confidential customer information to be stolen and used for criminal purposes. As personally identifiable and other confidential information is subject to legislation and regulations in numerous domestic and international jurisdictions, inability to protect confidential information of our customers and other platform participants could result in additional cost and liability for us, damage our reputation, inhibit the use of our platform and harm our business. The Administrative Measures for the Security of the International Network of Computer Information Network, issued in December 1997 and amended in January 2011, require us to report any data or security breaches to the local offices of the PRC Ministry of Public Security within 24 hours of any such breach. The Cyber Security Law of the PRC, issued in June 2017, requires us to take immediate remedial measures when we discover that our products or services are subject to risks, such as security defects or bugs. Such remedial measures include informing our customers and other platform participants of the specific risks and reporting such risks to the relevant competent departments.

We also face indirect technology and cybersecurity risks relating to our business partners, including our third-party payment service providers who manage the transfer of customer funds. As a result of increasing consolidation and interdependence of computer systems, a technology failure, cyber-attack or other information or security breach that significantly compromises the systems of one entity could have a material impact on our business partners. Although our agreements with third-party payment service providers provide that each party is responsible for the cybersecurity of its own systems, any cyber-attacks, computer viruses, hackers, denial-of-service attacks, physical or electronic break-ins or similar disruptions of such third-party payment service providers could, among other things, adversely affect our ability to serve our customers and other platform participants, and could even result in misappropriation of funds of our customers and other platform participants. If that were to occur, we and our third-party payment service providers could be held liable to customers and other platform participants who suffer losses from the misappropriation.

Substantial uncertainties exist with respect to the interpretation and implementation of the Cyber Security Law as well as any impact it may have on our business operations.

In July 2015, the Standing Committee of the National People's Congress of China issued the National Security Law, which came into effect on the day it was issued. The National Security Law provides that the state shall safeguard sovereignty, security and development interests of cyberspace in the state, and the state shall establish a national security review and supervision system to review including foreign investment, key technologies, internet and information technology products and services and other important activities that are likely to impact the national security of China.

The Cyber Security Law, which was issued by the Standing Committee of the National People's Congress of China and came into effect on June 1, 2017, is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backup and encryption. The Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cybersecurity Law also requires network operators that provide network access or domain name registration services, or landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. However, no official guidelines as to the scope of "critical information infrastructure" have been formally issued.

We do not believe that we are an operator of "critical information infrastructure" as defined in the Cyber Security Law. However, there is no assurance that we may not be considered an operator of "critical information infrastructure" in the future as the definition is not precise, and there are substantial uncertainties as to the law's ultimate interpretation and implementation. If we were considered an operator of "critical information infrastructure" in the future, this could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Kaixin's business is sensitive to changes in the prices of used and new vehicles.

Any significant changes in retail prices for used and new vehicles could have a material adverse effect on Kaixin's sales and results of operations, including its gross margin, which was 3.0% in the year ended December 31, 2017 and 4.0% in the year ended December 31, 2018. For example, if retail prices for used vehicles rise relative to retail prices for new vehicles, it could make buying a new vehicle more attractive to Kaixin's customers than buying a used vehicle, which could have a material adverse effect on sales and results of operations and could result in a decrease in Kaixin's gross margin. Manufacturer incentives could contribute to narrowing this price gap. Kaixin's new car sales would also be affected by changes in the price of new cars, both in terms of consumer sensitivity to prices as well as Kaixin's margins on such sales.

Kaixin's business is sensitive to conditions affecting automotive manufacturers, including manufacturer recalls.

Adverse conditions affecting one or more automotive manufacturers could have a material adverse effect on Kaixin's sales and results of operations and could impact the supply of vehicles, including the supply of new and used vehicles. In addition, manufacturer recalls are a common occurrence that have accelerated in frequency and scope in recent years. Because Kaixin does not have manufacturer authorization to complete recall-related repairs, some vehicles it sells may have unrepaired safety defects. Such recalls, and Kaixin's lack of authorization to make recall-related repairs, could adversely affect used vehicle sales or valuations, could cause it to temporarily remove vehicles from inventory, could force Kaixin to incur increased costs and could expose it to litigation and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on its business, sales and results of operations.

Kaixin's business is dependent upon access to vehicle inventory. Obstacles to acquiring inventory, whether because of supply, competition, or other factors, or a failure to expeditiously liquidate that inventory could have a material adverse effect on its business, sales and results of operations.

Kaixin's purchases of used vehicles are based in large part on projected demand, aided by its big data analytics. Kaixin's average inventory turnover was 63 days in the year ended December 31, 2018. A reduction in the availability of or access to sources of inventory could have a material adverse effect on Kaixin's business, sales and results of operations. Although the supply of premium used vehicles has been increasing, there can be no assurance that this trend will continue or that it will benefit Kaixin.

As Kaixin's business is dependent on its appraisal of the value of inventory it purchases, if it fails to adjust appraisal offers to stay in line with broader market trade-in offer trends, or fails to recognize those trends, or if its appraisal process is not accurate, it could adversely affect Kaixin's ability to acquire inventory. Kaixin's appraisal process could also be affected by competition, both from used and new car dealers directly and through third-party websites driving appraisal traffic to those dealers. See "—Kaixin operates in a highly competitive industry. Failure to develop and execute strategies to maintain its market position and to adapt to the increasing use of the internet to market, buy, sell and finance used vehicles could adversely affect its business, sales and results of operations" for additional discussion of this risk. Kaixin's ability to source vehicles from third-party auctions could be affected by an increase in the number of closed auctions that are open only to new car dealers who have franchise relationships with automotive manufacturers. An over-supply of used vehicle inventory will generally cause downward pressure on Kaixin's product sales prices and margins and increase its average days to sale.

Kaixin also sources a portion of its vehicles through its Kaixin affiliated network dealer model, in which it relies on third-party partners, such as individuals or small dealerships, to acquire used automobiles. Kaixin has historically recognized limited other revenues from consignment sale arrangements with other used automobile dealers. Kaixin may be unable to maintain relationships with these third parties or may experience issues with the vehicles they provide to it, each of which could harm its business, sales and results of operations.

Used vehicle inventory has typically represented a significant portion of total assets. Having such a large portion of Kaixin's total assets in the form of used vehicle inventory for an extended period of time subjects it to depreciation and other risks that affect its results of operations. Accordingly, if Kaixin has excess inventory or its average days to sale increases, it may be unable to liquidate such inventory at prices that allow it to meet margin targets or to recover its costs could have a material adverse effect on its results of operations.

Changes in international trade policies and international barriers to trade may have an adverse effect on our business and expansion plans.

Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in China as well as our financial condition and results of operations. For example, the current U.S. administration has advocated greater restrictions on trade generally and significant increases in tariffs on goods imported into the United States, particularly from China, and has recently taken other steps toward restricting trade in certain goods. The current U.S. administration has created uncertainty with respect to, among other things, existing and proposed trade agreements (including the renegotiation of NAFTA to better implement U.S. trade policy objectives, including through the potential addition of new provisions to address regulatory practices, state-owned enterprises, services, customs procedures, sanitary measures, labor, the environment, and other matters which may affect our business or the businesses of its customers), free trade generally, and potential significant increases on tariffs on goods imported into the U.S., particularly from Mexico, Canada and China.

In addition, China may alter its trade policies, including in response to any new trade policies, treaties and tariffs implemented by the United States or other jurisdictions, which could include restrictions on the import of used vehicles into China. Such policy retaliations could also ultimately result in further trade policy responses by the United States and other countries, and result in an escalation leading to a trade war, which would have an adverse effect on manufacturing levels, trade levels and industries, including automotive sales and other businesses and services that rely on trade, commerce and manufacturing. Any such escalation in trade tensions or a trade war could affect the cost of Kaixin's inventory, the sales prices of used and new cars or Kaixin's overall business performance and have a material and adverse effect on its business and results of operations. Chinese policies to relax certain import taxes, such as taxes on used and/or new cars may also impact Kaixin's business. For instance, if import taxes and similar duties on new cars are reduced, demand for used automobiles could be harmed and the margins of Kaixin's used automobile sales business could be negatively impacted, which could adversely affect Kaixin's results of operations and financial condition. Increased restrictions on trade or certain other changes to trade policies could have an adverse effect on the PRC economy, on the used automobile industry, and on our business and results of operations.

Kaixin faces credit risk in connection with outstanding loans made by its floor finance business. Failure to assess and manage Kaixin's credit risks or a significant deterioration in the credit quality of its floor finance loan portfolio may have a material adverse effect on its business, results of operations and financial condition.

Kaixin faces credit risk in connection with its floor finance business. Credit risk is the risk of loss due to adverse changes in a borrower's ability to meet its financial obligations on agreed-upon terms. The degree of credit risk will vary based on many factors including the size of the loan, the credit characteristics of the borrower, the contractual terms in the loan documents and the availability and quality of collateral. Credit risk management is based on analyzing the creditworthiness of the borrower, the adequacy of underlying collateral given current events and conditions and the existence and strength of any guarantor support. Kaixin has limited experience in designing and operating credit risk control systems, and it may be unable to properly analyze and mitigate the credit risks inherent in its floor finance business.

The overall credit quality of Kaixin's loan portfolio is impacted by factors outside of its control, such as the performance of the Chinese economy. In addition, Kaixin's credit risk is concentrated heavily in a single small segment of the economy, used automobile dealerships, which may do poorly even as the overall economy is doing well. Economic trends that negatively affect the Chinese economy as a whole or used automobile dealerships in particular could result in deterioration in credit quality of Kaixin's loan portfolio. A deterioration in the credit quality of Kaixin's remaining loan portfolio may require it to increase its provision of financing receivables, which increases its cost of revenues and decreases its gross profit.

Kaixin's remaining outstanding loans, which amounted to US\$17.6 million, net of allowances of US\$14.1 million as of December 31, 2018, to used automobile dealerships through its floor financing business are secured by the used automobiles which they hold as inventory. However, foreclosing on collateral and attempting to liquidate it would cause Kaixin to incur additional expenses, and the value of the collateral may be impaired by the same economic factors that caused the borrowers to default on their loans, such as reduced demand for used automobiles. In addition, there is constant turnover in the inventory of Kaixin's borrowers, and Kaixin must ensure that the quality of the collateral does not deteriorate. Kaixin cannot assure you that the collateral for its loans will be sufficient to significantly mitigate any losses it may suffer from defaulted loans.

We have granted, and may continue to grant, share options and restricted shares under our equity incentive plans, which may result in increased share-based compensation expenses.

We have adopted six equity incentive plans for Renren Inc. in 2006, 2008, 2009, 2011, 2016 and 2018. As of February 28, 2019, options to purchase a total of 209,453,515 ordinary shares of Renren Inc. were outstanding. For the years ended December 31, 2016, 2017 and 2018, we recorded US\$23.5 million, US\$28.0 million and US\$22.6 million, respectively, in share-based compensation expenses. As of December 31, 2018, we had US\$17.4 million of unrecognized share-based compensation expenses relating to share options, which are expected to be recognized over a weighted average vesting period of 3.04 years, and US\$15.3 million of unrecognized share-based compensation expenses relating to non-vested restricted shares, which are expected to be recognized over a weighted average vesting period of 5.22 years.

On August 24, 2017, our compensation committee approved a reduction in the exercise price for all outstanding options previously granted by our company with an exercise price higher than \$0.478 per ordinary share to \$0.478 per share. We accounted for this reduction as a share option modification which required the remeasurement of these share options at the time of the modification. The total incremental cost as a result of the modification was US\$10.4 million. The incremental cost related to vested options amounted to US\$7.4 million and was recorded in the consolidated statements of operations during the year ended December 31, 2017. The incremental cost related to unvested options amounted to US\$3.0 million and will be recorded over the remaining service period.

On June 29, 2018, our compensation committee approved a reduction in the exercise price for all outstanding options previously granted by our company with an exercise price higher than US\$0.0613 per ordinary share to US\$0.0613 per share, representing the closing price of our ADSs on the New York Stock Exchange, or the NYSE, on June 21, 2018. The market price of our ADSs had fallen as a result of the payment of the special dividend that we paid in connection with the series of transactions that we carried out at that time. See "Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction" for more information on those transactions.

We believe the granting of share options and restricted shares is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share options and restricted shares to key personnel and employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We may from time to time be subject to claims, controversies, lawsuits and legal proceedings, which could have a material adverse effect on our financial condition, results of operations, cash flows and reputation.

We may from time to time become subject to or involved in various claims, controversies, lawsuits, and legal proceedings. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for information about ongoing legal proceedings in which we are involved. Lawsuits and litigation may cause us to incur defense costs, utilize a significant portion of its resources and divert management's attention from its day-to-day operations, any of which could harm its business. Any settlements or judgments against us could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, negative publicity regarding claims or judgments made against us may damage our reputation and may result in material adverse impact on us.

Our own intellectual property rights may be infringed, which could materially and adversely affect our business and results of operations.

We rely on a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures, to protect our intellectual property rights. Despite our precautions, third parties may obtain and make unauthorized use of our intellectual property, which includes trademarks related to our brands, products and services, patent applications, registered domain names, copyrights in software and creative content, trade secrets and other intellectual property rights and licenses. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of the United States, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property and could have a material adverse effect on our business, financial condition and results of operations.

We have successfully obtained a trademark registration for 开心汽车, which translates to “Kaixin Auto”, in category 35, which covers areas we deem crucial to Kaixin’s business. However, we have not yet obtained trademark registrations in other important categories, including automobile maintenance. Therefore, we might be unable to completely prevent a third party from using the Kaixin brand for a business that is the same or similar to Kaixin’s. We are still in the process of obtaining trademark registration for the Kaixin brand name in other relevant categories. As China has adopted a “first to file” trademark registration system and there are trademarks similar to Kaixin or its brand which have been registered in those categories that are related to its business, we may not be able to successfully register Kaixin’s brand in such categories and may even be exposed to the risk that we are held to be infringing third-party trademark rights. We believe that the Kaixin brand is vital to its competitiveness and its ability to attract new customers. Any failure to protect these rights could adversely affect our business and financial condition.

We cannot assure you that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual properties. In addition, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to 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 any such litigation. In addition, our trade secrets may be leaked or otherwise become available to our competitors, or our competitors may independently discover them. 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 does not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may be from time to time, in the future, become subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without its 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 third-party 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 rights laws and the procedures and standards for granting trademarks, patents, copyrights, know-how 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 or that of our counsel. If we were found to have violated the intellectual property rights of others, we may be subject to liability for its infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims. Intellectual property claims and litigation are expensive and time-consuming to investigate and defend, and may divert resources and management attention from the operation of our business. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our websites to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

During the course of the audit of our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. If we fail to re-establish and maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our ADSs may be adversely impacted.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, adopted rules pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting.

We and our independent registered public accounting firm, in connection with the preparation and external audit of our consolidated financial statements for the year ended December 31, 2016, identified a material weakness related to inadequate controls designed over the accounting and measurement of investments and certain proposed complex transactions relating to the disposition of investment assets, to ensure that these transactions are accounted for in conformity with U.S. GAAP. Following the identification of the material weakness, we took measures to remedy it. Specifically, on December 22, 2016, our board of directors formed a special committee to evaluate the fairness of the proposed transactions and ultimately to decide whether to approve them, and the special committee further retained an external financial advisor and external U.S. counsel to review the proposed transactions and to ensure that the measurement of the investments involved was performed properly. Accordingly, as of December 31, 2017, we concluded that the material weakness related to the measurement of investment assets and the proposed complex transactions had been remediated.

We and our independent registered public accounting firm, in connection with the preparation and external audit of our consolidated financial statements for the year ended December 31, 2017, identified a material weakness related to inadequate controls designed over the accounting of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP. Following the identification of the material weakness and other control deficiencies, we have taken measures and plan to continue to take measures to remedy these deficiencies. However, the implementation of these measures may not fully address the material weakness and deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remedied.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in connection with the preparation and external audit of our consolidated financial statements for the year ended December 31, 2018, we identified a material weakness related to inadequate controls designed over the accounting of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.” Measures that we implement to address this material weakness and other control deficiencies in our internal control over financial reporting might not fully address them, and we might not be able to conclude that they have been fully remedied.

Failure to correct the material weakness and other control deficiencies or failure to discover and address any other control deficiencies could result in inaccuracies in our consolidated financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Due to the material weakness in our internal control over financial reporting as described above, our management concluded that our internal control over financial reporting was not effective as of December 31, 2018. This could adversely affect the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes.

Kaixin depends on third parties for supplies of spare parts and accessories.

Kaixin depends on auto manufacturers and independent local third-party suppliers for certain spare parts and accessories it sells. The success of such value-added services is dependent on these suppliers’ ability to anticipate changes in consumer tastes, preferences and requirements and deliver to Kaixin in sufficient quantities and on a timely basis a desirable, high-quality and price-competitive mix of accessories. Kaixin’s suppliers’ products may fail to meet Kaixin’s customers’ expectations due to changes of consumer preferences. Kaixin may be unable to maintain a sufficient stock. Kaixin’s suppliers may increase their prices due to increasing demand for their products from Kaixin’s competitors. If Kaixin cannot or opts not to procure spare parts and accessories from such third-party suppliers, its profit margin for after-sale services might be adversely affected. Moreover, the spare parts supplied by Kaixin’s suppliers may fail to function properly and as a result, its customers may make claims against it, in which case it may be required to make repairs or pay damages. In the event of any of the above, Kaixin’s margins of these products may be affected, which in turn could adversely affect our results of operations and financial condition.

The continuing and collaborative efforts of our senior management, key employees and highly skilled personnel are crucial to our success, and our business may be harmed if we were to lose their services.

Our success depends on the continuous effort and services of our experienced senior management team, in particular Mr. Joseph Chen, our founder, chairman and chief executive officer, and Mr. James Jian Liu, our executive director and chief operating officer. If one or more of our executive officers or other key personnel are unable or unwilling to continue to provide us with their services, we may not be able to replace them easily or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executive officers or key personnel, or attract and retain experienced executive officers or key personnel in the future. If any of our executive officers or key employees join a competitor or forms a competing company, we may lose know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between us and our executive officers or key employees, these agreements may not be enforceable in China, where these executive officers and key employees reside, in light of uncertainties relating to China's laws and legal system. See “—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

Our performance and future success also depend on our ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in the used automobile industry for qualified employees, including technical personnel capable of designing innovative services and products, is intense, and if competition in these industries further intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel or if we must incur significantly greater expenses to recruit, train and retain personnel, we may be unable to grow effectively or at all.

Their responsibilities at Oak Pacific Investments may divert our management's attention from the operation of our business.

Our chief executive officer Joseph Chen, our chief operating officer James Jian Liu and our chief financial officer Thomas Ren each hold the same position in Oak Pacific Investment. Mr. Chen is also the second largest shareholder in Oak Pacific Investment. Oak Pacific Investment was a wholly-owned subsidiary of ours prior to June 2018, and it holds a large portfolio of shares in a variety of early-stage and late-stage pre-IPO companies that our management had previously selected and managed for our company. Although Oak Pacific Investment no longer has any relationship with our company other than a debtor-creditor relationship based on the US\$90 million note issued by Oak Pacific Investment to Renren, the disposition of Oak Pacific Investment has not necessarily reduced the workload of our management. However, time and effort spent by our management on Oak Pacific Investment does not benefit shareholders of our company anymore, except to the extent that it helps ensure Oak Pacific Investment's ability to repay the US\$90 million note to Renren when it matures. Mr. Chen's, Mr. Liu's and Mr. Ren's involvement in Oak Pacific Investment may divert their attention from the operation of our business, which may affect our company's financial performance and future prospects.

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. Due primarily to the large number of employees in our Kaixin business, we expect that our labor costs, including wages and employee benefits, will continue to increase. Unless Kaixin is able to control its labor costs or pass on these increased labor costs to its customers and other platform participants by increasing the fees of its services, our financial condition and results of operations may be adversely affected.

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

Our quarterly results of operations, including the levels of our revenues, operating costs and expenses, net loss and other key metrics, may vary significantly in the future due to a variety of factors, some of which are outside of our control. Period-to-period comparisons of our operating results may not be meaningful, especially given Kaixin's limited operating history and our discontinuation or disposal of other businesses that previously accounted for the majority of our net revenues. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Fluctuations in quarterly results may adversely affect the value of our ADSs. Factors that may cause fluctuations in our quarterly financial results include:

- Kaixin's ability to attract new car buyers;

- Kaixin’s ability to maintain existing relationships with business partners and establish new relationships with additional business partners, such as financial institutions;
- Kaixin’s ability to access capital;
- the mix of solutions and services Kaixin offers;
- the amount and timing of our operating cost and expenses and the maintenance and expansion of our business, operations and infrastructure;
- financial institutions’ willingness and ability to fund financing transactions through Kaixin’s platform on reasonable terms;
- Kaixin’s emphasis on experience of car buyers, instead of near-term growth;
- the timing of expenses related to the development or acquisition of technologies or businesses;
- proper and sufficient accounting policies with respect to Kaixin’s risk reserve liabilities and implementation;
- our ability to grow our SaaS businesses and other new initiatives;
- network outages or security breaches;
- general economic, industry and market conditions; and
- changes in applicable laws and regulations.

In addition, Kaixin has experienced, and expects to continue to experience, seasonal fluctuations in its revenues and results of operations. Trends of Kaixin’s revenues are a reflection of car purchase patterns by car buyers. Used automobile sales tend to be lower in the first quarter of each year than in the other three quarters due to the effect of the Chinese New Year holiday. As a result of these factors, Kaixin’s revenues may vary from quarter to quarter and its quarterly results may not be comparable to the corresponding periods of prior years. Kaixin’s actual results may differ significantly from its targets or estimated quarterly results. Therefore, you may not be able to predict Kaixin’s annual results of operations based on a quarter-to-quarter comparison of its results of operations. The quarterly fluctuations in Kaixin’s revenues and results of operations could result in volatility and cause the price of its shares to fall. As Kaixin’s revenues grow, these seasonal fluctuations may become more pronounced.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. These events could also significantly impact the used automobile industry and cause a temporary closure of the dealerships and other facilities Kaixin uses for its operations, which would severely disrupt its operations and have a material adverse effect on our business, financial condition and results of operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global or PRC economy in general. Kaixin’s operations could also be severely disrupted if its customers or other platform participants were affected by natural disasters, health epidemics or other outbreak.

Kaixin is subject to local conditions in the geographic areas in which it is concentrated.

Kaixin’s performance is subject to local economic, competitive and other conditions prevailing in geographic areas where it operates. Since a large portion of Kaixin’s sales are generated in tier 2 and lower cities in China, its results of operations depend substantially on general economic conditions and consumer spending habits in these markets. In the event that any of these geographic areas experience a downturn in economic conditions, it could have a material adverse effect on Kaixin’s business, sales and results of operations.

Kaixin's business could be adversely affected by a weakening market for asset-backed securities.

Kaixin completed two issuances of asset-backed securities on the Shanghai Stock Exchange in 2016. These asset-backed securities are backed by Kaixin's finance lease assets. In connection with these issuances, Kaixin subscribed for a subordinated tranche of asset-backed securities in order to provide a guarantee for the prime tranche. If the market for asset-backed securities weakens, Kaixin may also be unable to use ABS or similar offerings, such as asset-backed notes, or wealth management products as a source of financing for its business, which may cause it to need to find other sources of financing. In addition, the market value of Kaixin's asset-backed securities then outstanding, if any, may decrease, and Kaixin may incur losses on the subordinated tranche which it holds at such time. Further, if the collateralized obligations underlying the asset-backed securities do not generate sufficient funds to cover the ABS obligations, Kaixin may be liable to holders of asset-backed securities for any shortfall. Kaixin may also be liable to its ABS administrator if it fails to perform its contractual obligations. Further, the inability to securitize Kaixin's portfolio in the future may hurt its performance and its ability to grow its business.

Negative media coverage could adversely affect our business.

Negative publicity about us or our business, shareholders, affiliates, directors, officers or other employees, as well as the industry in which we operate, can harm our operations. Such negative publicity could be related to a variety of matters, including:

- alleged misconduct or other improper activities committed by our shareholders, affiliates, directors, officers and other employees;
- false or malicious allegations or rumors about us or our shareholders, affiliates, directors, officers and other employees;
- user complaints about the quality of our products and services;
- copyright infringements involving us and content offered on our platform;
- security breaches of confidential user information; and
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

We may also be affected by publicity relating to third-party service providers. For example, in September 2018, there was negative publicity involving certain senior officers of iResearch, the industry consultant commissioned to prepare an industry report in connection with this proxy statement. According to a public announcement made by iResearch, certain senior officers of iResearch are cooperating with governmental investigations in China. Such publicity may raise questions as to the integrity of the industry data produced by iResearch.

In addition to traditional media, there has been an increasing use of social media platforms and similar devices in China, including instant messaging applications, such as Weixin/WeChat, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of users and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate as is its impact without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our company, shareholders, directors, officers and employees may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our and/or Kaixin's reputation, business, financial condition and results of operations.

We have limited business insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. 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 occurrence of business disruption 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.

Content streamed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking state secrets of the PRC. Failure to comply with these requirements may result in fines, the revocation of licenses to provide internet content and other licenses, the closure of the concerned websites and reputational harm. In April 2015, we were fined RMB 50,000 (US\$7,685) after certain user uploaded content was deemed to be obscene. The website operator may also be held liable for such censored information displayed on or linked to their website. For a detailed discussion, see “Item 4.B—Business Overview—Regulation—Regulations on Value-Added Telecommunications Services,” “Item 4.B—Business Overview—Regulation—Regulations on Internet Content Services” and “Item 4.B—Business Overview—Regulation—Regulations on Information Security.”

Our live streaming services enable performers to broadcast their performances live over the internet. We have a team of employees who monitor the content of these performances to identify and shut down any performances that violate the applicable laws or regulations. If we fail to identify an illegal performance as it is occurring or fail to take appropriate action at that time, we may be held liable for it.

Failure to identify and prevent illegal or inappropriate content from being displayed on or through our platform for internet users or mobile users may subject us to liability or reduce our revenues. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in our liability as the operator of the platform. To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, they may require us to limit or eliminate the dissemination or availability of such content. The regulatory authorities may also impose penalties on us based on content displayed or made available through our platform in cases of material violations, including a revocation of our operating licenses or a suspension or shutdown of our online operations, which would materially and adversely affect our business, results of operations and reputation.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our services.

We could be liable for any breach of security relating to our payment platforms or the third-party online payment platforms we use, and concerns about the security of internet transactions could damage our reputation, deter current and potential users from using our platform and have other adverse consequences to our business.

Currently, we sell a substantial portion of our services and applications to our users through third-party online payment platforms using the internet or mobile networks. In all these online payment transactions, secured transmission of confidential information over public networks is essential to maintain consumer confidence. In addition, we expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. As a result, associated online fraud will likely increase as well. Our current security measures and those of the third parties with whom we transact business may not be adequate. We must be prepared to increase and enhance our security measures and efforts so that our users have confidence in the reliability of the online payment systems that we use, which will impose additional costs and expenses and may still not guarantee complete safety. In addition, we do not have control over the security measures of our third-party online payment vendors. Although we have not in the past experienced material security breaches of the online payments that we use, such security breaches could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of the online payment systems that we use.

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

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our websites. We cannot assure you that the 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. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and 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.

Risks Related to Our Corporate Structure and the Regulation of our Business

If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, 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.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of social networking services. Specifically, foreign ownership of internet service providers or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, the National Development and Reform Commission and the Ministry of Commerce in June 2005, foreign investors are prohibited from investing in or operating any internet cultural operating entities.

We previously conducted our SNS and live streaming operations in China principally through a set of contractual arrangements between our wholly owned PRC subsidiary, Qianxiang Shiji Technology Development (Beijing) Co., Ltd., or Qianxiang Shiji, and its consolidated affiliated entity, Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, and Qianxiang Tiancheng's shareholders. Beijing Qianxiang Wangjing Technology Development Co., Ltd., or Qianxiang Wangjing, is Qianxiang Tiancheng's wholly owned subsidiary and the operator of the *renren.com* website and holds the licenses and permits necessary to conduct the SNS and online advertising business in China. While we disposed of our SNS platform and the related businesses effective December 29, 2018, Qianxiang Wangjing still holds the licenses and permits for the purchasers, pending completion of procedures for transferring them.

We conduct our financing business operations in China principally through a set of contractual arrangements between our wholly owned PRC subsidiary, Shanghai Renren Automobile Technology Group Co., Ltd., or Renren Automobile, and its consolidated affiliated entity, Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd., or Qianxiang Changda, and Qianxiang Changda's shareholders.

We conduct our used automobile dealership operations in China principally through a set of contractual arrangements between Renren Automobile and its consolidated affiliated entity, Shanghai Jieying Automobile Sales Co., Ltd., or Shanghai Jieying, and Shanghai Jieying's shareholders.

Our contractual arrangements described above enable us to exercise effective control over Qianxiang Tiancheng, Qianxiang Changda and Shanghai Jieying, as well as their respective subsidiaries, and hence we treat these entities as our consolidated affiliated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities."

Based on the advice of TransAsia Lawyers, our PRC legal counsel, the corporate structure of our consolidated affiliated entities and our subsidiaries in China comply with all existing PRC laws and regulations. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government 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 the PRC government determines that we do not comply with applicable laws and regulations, it could:

- revoke the business and operating licenses of our subsidiaries, our consolidated affiliated entities and their subsidiaries;
- discontinue or restrict any related-party transactions between our subsidiaries, our consolidated affiliated entities and their subsidiaries;
- impose fines on us or impose additional conditions or requirements on us with which we may not be able to comply;
- require us to revise our ownership structure or restructure our operations; and
- restrict or prohibit our use of the proceeds of any additional public offering to finance our business and operations in China.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business. If any of these penalties results in our inability to direct the activities of our consolidated affiliated entities and the subsidiaries that most significantly impact their economic performance, or results in our failure to receive the economic benefits from our consolidated affiliated entities and their subsidiaries, we may not be able to consolidate the consolidated affiliated entities and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. In the fiscal years ended December 31, 2016, 2017 and 2018, our consolidated affiliated entities and their subsidiaries contributed in the aggregate 97.0%, 88.1% and 97.6%, respectively, of our consolidated net revenues.

Until we can complete certain post-closing procedures, we will maintain title to the trademarks and domain names used by the SNS platform and related businesses that we sold in 2018. If the purchaser's operation of the SNS business is not in compliance with PRC regulations, we may be subject to severe penalties.

In December 2018, we disposed of all tangible and intangible assets related to our SNS platform and the related businesses, including Renren mobile live streaming, and all of the relevant internet domain names were subsequently transferred to the purchaser. While we have some post-closing procedures to complete with the purchaser, such as the official procedures for the deletion of those internet domain names from our licenses, the sale was closed at the end of 2018 and we classify our former SNS business under discontinued operations. Until we are able to complete the remaining post-closing procedures, the purchaser makes use of the internet domains that are registered on the internet content provision or ICP license of Beijing Qianxiang Wangjing Technology Development Co., Ltd., or Qianxiang Wangjing, one of our consolidated affiliated entities. We are not able to supervise and control the purchaser's operation of the SNS business, and if the SNS business is not operated in compliance with PRC regulations, we may be subject to severe penalties, including warnings, fines, and even the revocation of licenses, as such internet domain names are still registered on our ICP license. In addition, the temporary separation of the domain titles and actual operation of the website from the ICP license registration might be interpreted by authorities as the sub-licensing or transfer of the ICP license, which may result in severe penalties including confiscation of illegal income and fines.

We rely on contractual arrangements with consolidated affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership. Any failure by our affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

We have relied and expect to continue to rely on contractual arrangements with our affiliated entities to operate our businesses in China. For a description of these contractual arrangements, see "Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities." These contractual arrangements may not be as effective in providing us with control over these affiliated entities as direct ownership. If we had direct ownership of our consolidated affiliated entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of each of these entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our consolidated affiliated entities and their respective shareholders of their obligations under their respective contracts to exercise control over our affiliated entities. Therefore, our contractual arrangements with our affiliated entities may not be as effective in ensuring our control over our China operations as direct ownership would be.

If our consolidated affiliated entities or their respective shareholders fail to perform their respective obligations under the contractual arrangements of which they are a party, we may have to incur substantial costs and resources to enforce our rights under the contracts, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of our consolidated affiliated entities were to refuse to transfer their equity interests in our consolidated affiliated entities to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to perform their respective contractual obligations.

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 law and any disputes would be resolved in accordance with PRC legal procedures. The legal system 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. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities, and our ability to conduct our business may be severely and negatively affected.

Contractual arrangements our subsidiaries have entered into with our consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities, and a finding that we or our consolidated affiliated entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions between related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between our wholly owned subsidiaries in China and our consolidated affiliated entities in China do not represent arm's-length prices and consequently adjust our consolidated affiliated entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our consolidated affiliated entities for PRC tax purposes, which could in turn increase their respective tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on our consolidated affiliated entities for any unpaid taxes. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are subject to late payment fees or other penalties.

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

The shareholders of our consolidated affiliated entities include Ms. Jing Yang, Mr. James Jian Liu, Mr. Thomas Jintao Ren and Ms. Rita Rui Yi. Ms. Jing Yang is a shareholder of Qianxiang Tiancheng and Qianxiang Changda; Mr. James Jian Liu is a shareholder of Qianxiang Tiancheng, Qianxiang Changda and Guangzhou Xiuxuan Brokers Co., Ltd., or Guangzhou Xiuxuan; and Mr. Thomas Jintao Ren and Ms. Rita Rui Yi are the shareholders of Shanghai Jieying.

Ms. Jing Yang is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer; Mr. James Jian Liu is our executive director and chief operating officer; Mr. Thomas Jintao Ren is our chief financial officer; and Ms. Rita Rui Yi is our vice president in charge of human resources.

Conflicts of interest may arise between the dual role of Mr. James Jian Liu as a director and officer of our company and as shareholder of our consolidated affiliated entities Qianxiang Tiancheng, Qianxiang Changda and Guangzhou Xiuxuan.

Conflicts of interest may also arise between the interests of Ms. Jing Yang as shareholder of Qianxiang Tiancheng and Qianxiang Changda and as the wife of our founder and chief executive officer. Furthermore, if Ms. Jing Yang experiences domestic conflict with Mr. Joseph Chen, she may have little or no incentive to act in the interest of our company, and she may not perform her obligations under the contractual arrangements she has entered into with Qianxiang Shiji and Renren Automobile.

Conflicts of interest may arise between the dual role of both Mr. Thomas Jintao Ren and Ms. Rui Yi as officers of our company and as shareholders of our consolidated affiliated entity Shanghai Jieying. Officers of our company owe a duty of loyalty and care to our company and to our shareholders as a whole under Cayman Islands law. We cannot assure you, however, that when conflicts arise, shareholders of our consolidated affiliated entities will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

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

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Ministry of Commerce solicited comments on this draft in 2015, but no timetable has been published as to when it will be enacted. Consequently, substantial uncertainties exist with respect to its enactment timetable, final scope, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

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

We are a holding company, and we may rely on dividends and other distributions on equity to be paid by our wholly owned PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our wholly owned PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of their registered capital. At their discretion, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Any limitation on the ability of our wholly owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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 funds that we hold offshore to make loans to our PRC subsidiaries and consolidated affiliated entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and consolidated affiliated entities. We may make loans to our PRC subsidiaries and consolidated affiliated entities, or we may make additional capital contributions to our PRC subsidiaries.

Any loans by us to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. If we decide to finance our wholly owned PRC subsidiaries by means of capital contributions, these capital contributions must be approved by the Ministry of Commerce or its local counterpart. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our consolidated affiliated entities, which are PRC domestic companies. Further, we are not likely to finance the activities of our consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in social networking services, online advertising and related businesses.

SAFE promulgated a circular in November 2010, known as Circular No. 59, which tightens the examination of the authenticity of settlement of net proceeds from our initial public offering and requires that the settlement of net proceeds shall be in accordance with the description in the prospectus included in our registration statement on Form F-1 (Registration No. 333-173548), which was filed with the SEC in connection with our initial public offering. In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the “conversion-at-will” system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

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 by us to our PRC subsidiaries or consolidated affiliated entities or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use funds we hold offshore 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.

If we are required to pay U.S. taxes, the value of your investment in our company could be substantially reduced.

If, pursuant to a plan or a series of related transactions, a non-United States corporation, such as our company, acquires substantially all of the assets of a United States corporation, and after the acquisition 80% or more of the stock, by vote or value, of the non-United States corporation, excluding stock issued in a public offering related to the acquisition, is owned by former shareholders of the United States corporation by reason of their ownership of the United States corporation, the non-United States corporation will be considered a United States corporation for United States federal income tax purposes. Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Internal Revenue Code might apply to us, our company’s conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. You are urged to consult your tax advisor concerning the income tax consequences of purchasing, holding or disposing of ADSs or ordinary shares if we were to be treated as a United States domestic corporation for United States federal income tax purposes.

Risks Related to Doing Business in China

We rely on contractual obligations rather than government filings to ensure our continued title to vehicles managed under our vehicle leasing program.

Kaixin's loans to used car dealerships are structured on a finance lease basis, whereby the entity lessor sells Kaixin the vehicle before leasing it back from Kaixin, although for accounting purposes the transaction is not treated as a sale as it is not substantively a sale due to the economic substance of the transaction. In spite of this arrangement, upon completing the purchase of the subject vehicle, Kaixin does not formally transfer the registration of the vehicle into Kaixin's name. Kaixin also does not file mortgage registrations relating to the lease of the vehicle. Instead, Kaixin's contract with the lessor obligates them not to take any action that could undermine Kaixin's title to the vehicle. In addition, Kaixin retains in its control all documents relating to the vehicle and title, and provide markings for the vehicle identifying it as owned by Kaixin. However, these steps would not prevent a good-faith third-party buyer from taking legal title to the vehicle if the lessor attempted to sell the vehicle without Kaixin's knowledge. If the lessor sells the vehicle without Kaixin's knowledge, Kaixin would face potential inventory shortages of vehicles, liability for breach of contract if there is another contract selling the same vehicle, and costs attempting to recover from the lessor its losses from such unauthorized sale of the vehicle. Kaixin might not be able to recover from the lessor its losses from unauthorized sale of vehicle, or claim the legal title of the vehicle back, which would have a material adverse effect on our business, results of operations and financial condition.

Kaixin may have exposure to greater than anticipated tax liabilities.

Kaixin is subject to enterprise income tax, value-added tax, and other taxes in each province and city in China where it has operations. Kaixin's tax structure is subject to review by various local tax authorities. The determination of Kaixin's provision for income tax and other tax liabilities requires significant judgment. In the ordinary course of Kaixin's business, there are many transactions and calculations where the ultimate tax determination is uncertain. For example, since 2018, Kaixin has entered into a series of ancillary agreements to facilitate its sale of used cars for value-added tax optimization purposes. Under these ancillary agreements, when Kaixin sources a used car, the legal title of the car is transferred to an executive of our variable interest entity Shanghai Jieying Automobile Sales Co., Ltd., and the registration is transferred to the name of one of the dealership's employees. When the used car is sold, the relevant legal ownership is transferred from the executive to the purchaser, and the registration is transferred from the dealership employee's name to the name of the purchaser. Under PRC laws and regulations, if the seller is an individual selling a personal automobile, the seller is exempted from value-added tax. Thus, structuring the purchase and subsequent sale such that the legal title and automobile registration are placed under the names of executives and dealership employees, respectively, as described above results in Kaixin recognizing no value-added tax on the sales of the used cars. Viewed as a service provider from a value-added tax perspective in the used car transactions structured this way, Kaixin is only subject to value-added tax on the difference between the original purchase price and retail price of the used cars. Although Kaixin believes that the transaction structure created by the ancillary agreements and its estimates of its value-added taxes are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in its financial statements and if the conclusion were reached by relevant tax authorities that Kaixin was subject to value-added tax as a result of using the employees as agents in this structure, such a determination would have a material adverse effect on our financial results in the period or periods for which such determinations are made.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s 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 PRC 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 through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. 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 Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past few years, the PRC government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results. For example, in the event of unanticipated adverse changes in the economy, the credit quality of the customers of our financing business may materially decrease, and our results of operations could be materially adversely affected.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our PRC subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. 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 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 investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of the internet industry include, but are not limited to, the following:

- We only have contractual control over our websites. We do not own the websites due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.
- There are uncertainties relating to the regulation of the internet industry in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we have failed to obtain permits or licenses that applicable regulators may deem necessary for our operations or we may not be able to obtain or renew certain permits or licenses to maintain their validity. The major permits and licenses that could be involved include the ICP license, the online culture operating permit, the value-added telecommunication services operation permit and the internet publishing license.

In 2006, the predecessor to the MIIT issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, our PRC consolidated affiliated entities own the related domain names and trademarks and hold the ICP licenses necessary to conduct our operations for websites in China.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses if required by any new laws or regulations. There are also risks that we may be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of the internet industry.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

Substantially all of our revenues and costs are denominated in RMB. The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

Significant revaluation of the RMB may have a material and adverse effect on your investment. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

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

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in the PRC are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, 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 expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Certain regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective in 2006 and was amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council in 2008 are triggered. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot assure you that the Ministry of Culture or other government agencies will not publish interpretations contrary to our understanding or broaden the scope of such security review in the future.

We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore holding 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, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular 37, issued in 2014, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (generally known as SAFE Circular 75) promulgated by SAFE in October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is 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 an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete 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 subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Mr. Joseph Chen, our founder, chairman and chief executive officer, is not a PRC citizen, but resides in China and has established and maintains a major shareholding in our company. Based on our oral inquiry with the relevant local branch of SAFE, neither the requirements for registration under SAFE Circular 75 nor the requirements for registration under SAFE Circular 37 are applicable to Mr. Chen.

Mr. James Jian Liu, our executive director and chief operating officer, and a few other senior management personnel of our company, all of whom are PRC residents, became shareholders of our company as a result of the exercise of employee share options. Based on our inquiry with the relevant local branch of SAFE, any application to such local SAFE branch with respect to the registration of Mr. Liu and the other PRC resident shareholders' holdings of shares in our offshore holding company under SAFE Circular 75 or SAFE Circular 37 and related rules will not be officially accepted or examined because they became shareholders of our offshore holding company as a result of their exercise of employee share options.

However, we cannot conclude that SAFE or its local branch responsible for our PRC subsidiary's foreign exchange registrations will not later alter their position on and interpretation of the applicability of these foreign exchange regulations to Mr. Chen, Mr. Liu or the other PRC resident shareholders of our company. In the event that the registration procedures set forth in these foreign exchange regulations becomes applicable to Mr. Chen, Mr. Liu or any of the PRC resident shareholders of our company, we will urge these individuals to file necessary registrations and amendments as required under SAFE Circular 37 and related rules. However, we cannot assure you that all of these individuals can successfully file or update any applicable registration or obtain the necessary approval required by these foreign exchange regulations. We can provide no assurance that we will in the future continue to be informed of the identities of all PRC residents holding direct or indirect interests in our company. The failure or inability of such individuals to comply with the registration procedures set forth in these regulations may subject us to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. In 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee share ownership plans or share option plans of an overseas publicly listed company. In 2007, also SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rules.

In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. This Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the earlier Stock Option Rules. Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such resident, an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including for example any changes due to merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

As our company became listed on the NYSE in May 2011, we and our PRC citizen employees who participate in an employee share ownership plan or a share option plan are subject to these regulations. If we or our PRC optionholders fail to comply with these regulations, we or our PRC optionholders may be subject to fines and other legal or administrative sanctions. See “Item 4.B—Business Overview—Regulation—Regulations on Employee Stock Options Plans.”

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015 and amended in 2017, or SAT Circular 7. Pursuant to these rules and notices, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

Although SAT Circular 7 provides clarity in many important areas, such as reasonable commercial purpose, there are still uncertainties on the tax reporting and payment obligations with respect to future private equity financing transactions, share exchange or other transactions involving the transfer of shares in non-PRC resident companies. The PRC tax authorities have discretions under SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investments. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a nonresident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential acquisitions will increase, which may adversely affect our financial condition and results of operations.

Imposition of any additional taxes could adversely affect our financial condition and results of operations.

Under the Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. 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 SAT Circular 82, in 2009. SAT 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. See “Item 5—Operating and Financial Review and Prospects—Taxation—PRC.” Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC 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 or individuals. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a resident enterprise and may therefore be subject to enterprise income tax at a rate of 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Pursuant to the Enterprise Income Tax Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors, which are non-PRC tax resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishments inside China, are subject to withholding tax at a rate of 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and we conduct substantially all of our operations in China through contractual arrangements between our wholly owned PRC subsidiaries and our consolidated affiliated entities. As long as our offshore holding companies are considered non-PRC resident enterprises, dividends that they respectively receive from our PRC subsidiaries may be subject to withholding tax at a rate of 10%. See “Item 5—Operating and Financial Review and Prospects—Taxation—PRC.”

As uncertainties remain regarding the interpretation and implementation of the Enterprise Income Tax Law and its implementation rules, we cannot assure you that if we are regarded as a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax at a rate of up to 10%. Similarly, any gain recognized by such non-PRC shareholders or ADS holders on the sale of shares or ADSs, as applicable, may also be subject to PRC withholding tax. If we are required under the Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our non-PRC enterprise shareholders and ADS holders, or on gain recognized by such non-PRC shareholders or ADS holders, such investors’ investment in our ordinary shares or ADSs may be materially and adversely affected.

The leasehold interests of some of our consolidated affiliated entities might not be fully protected by the terms of the lease agreements due to defects in the title documents or the landlord’s failure to provide title documents.

We lease offices from third parties for our operations in China. Any defects in lessors’ title to the leased properties may disrupt our use of our offices, showrooms or warehouse, which may in turn adversely affect our business operations. For example, certain buildings and the underlying land are not allowed to be used for industrial or commercial purposes without the authorities’ approval, and the lease of such buildings to companies like us may subject the lessor to pay premium fees to the PRC government. We cannot assure you that the lessor has obtained all or any of approvals from the relevant governmental authorities. In addition, some of our lessors have not provided us with documentation evidencing their title to the relevant leased properties. We cannot assure you that title to these properties we currently lease will not be challenged. In addition, we have not registered any of our lease agreements with the PRC governmental authorities as required by PRC law, and although failure to do so does not in itself invalidate the leases, we may not be able to defend these leases against bona fide third parties. If third parties who purport to be property owners or beneficiaries of the mortgaged properties challenge our right to use the leased properties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises, which could in turn materially and adversely affect our business and operating results.

The audit report included in this annual report is prepared by an auditor that is not inspected by the Public Company Accounting Oversight Board, and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in this annual report filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the United States 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 PRC, 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 May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. The PCAOB apparently continues to be in discussions with PRC regulators to permit inspections of audit firms that are registered with the PCAOB in relation to the audit of Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in this issue. However, it remains unclear what further actions the SEC and the PCAOB will take and the potential impact on Chinese companies listed in the United States.

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 financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the 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 Securities Exchange Act of 1934, as amended, or 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 firms access to their audit work papers and related documents. The firms were, however, advised and directed that under China 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, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the "big four" accounting firms (including the mainland Chinese affiliate of our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the Chinese accounting firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the commissioners of the SEC.

On February 6, 2015, before a review by the commissioners had taken place, the Chinese accounting firms reached a settlement with the SEC whereby the proceedings were stayed. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The Chinese accounting firms would receive requests matching those under Section 106 of the Sarbanes-Oxley Act of 2002, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance would require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to U.S. regulators.

Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice at the end of four years starting from the settlement date, which was on February 6, 2019. Despite the final ending of the proceedings, the presumption is that all parties will continue to apply the same procedures: in other words, that the SEC will continue to make its requests for the production of documents to the CSRC, and the CSRC will normally process those requests applying the sanitization procedure. We cannot predict whether, in cases where the CSRC does not authorize production of requested documents to the SEC, the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law. If additional challenges are imposed on the Chinese affiliates of the "big four" accounting firms, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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, U.S.-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the 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.

Risks Related to Our ADSs

If the market price for our ADSs falls below US\$1.00 for an extended period of time, or to US\$0.16 at any time, our ADSs may be delisted from the NYSE.

After the closing of the transaction that resulted in the disposition of most of our investment assets on June 21, 2018, the market price of our ADSs fell significantly as a result of the value that was removed from our company and transferred to our shareholders. See “Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction” for a description of this transaction. Pursuant to NYSE Rule 802.01C, a company will be considered to be below compliance standards if the average closing price of a security as reported on the consolidated tape is less than US\$1.00 over a consecutive 30 trading-day period. Once notified, the company must bring its share price and average share price back above US\$1.00 by six months following receipt of the notification. The company can regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period the company has a closing share price of at least US\$1.00 and an average closing share price of at least US\$1.00 over the 30 trading-day period ending on the last trading day of that month. In the event that at the expiration of the six-month cure period, both a US\$1.00 closing share price on the last trading day of the cure period and a US\$1.00 average closing share price over the 30 trading-day period ending on the last trading day of the cure period are not attained, the NYSE will commence suspension and delisting procedures. In addition, we understand that the NYSE has a policy to suspend trading immediately and commence delisting procedures if the market price of securities falls to US\$0.16 or less. Since June 2018, the 30-trading-day average closing price of our ADSs has fallen as low as \$1.46. We cannot assure you that our ADSs will remain in compliance with the NYSE listing rules. If our ADSs are delisted from the NYSE, the liquidity and value of an investment in our ADSs will be materially and adversely affected.

The listing of Kaixin’s shares on Nasdaq may cause trading volume in our ADSs to decline.

Following the Kaixin Offering, Kaixin became listed on the Nasdaq Stock Market. Because Kaixin was responsible for approximately 93.8% of our net revenues in 2018, and is likely to remain responsible for the vast majority of our net revenues for the foreseeable future, investors may conclude that our ADSs and Kaixin’s shares represent interests in substantially the same business and they may believe that our ADSs and Kaixin’s shares will respond to changes in our business prospects and financial performance in substantially equivalent ways. If some investors who would otherwise have purchased our ADSs choose to purchase Kaixin shares instead, trading volume in our ADSs may decline.

The market price for our ADSs has fluctuated and may continue to be volatile.

The market price for our ADSs has fluctuated significantly since we first listed our ADSs. Since our ADSs became listed on the NYSE on May 4, 2011, the closing prices of our ADSs have ranged from US\$1.27 to US\$90.05 per ADS, including retrospective adjustments for the change in the number of ordinary shares represented by each ADS that occurred on February 6, 2017. The last reported trading price on May 13, 2019 was US\$1.48 per ADS.

The market price for our ADSs may be highly volatile and subject to wide fluctuations in response to factors including the following:

- regulatory developments in our industry affecting us or our competitors;
- announcements of studies and reports relating to the quality of our services or those of our competitors;
- changes in the economic performance or market valuations of other companies in the used automobile and SaaS industries or other internet companies;
- 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 or changes in the used automobile industry, the internet finance industry or the internet industry in general;
- announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- fluctuations in the market price of Kaixin's ordinary shares on the Nasdaq Stock Market; and
- sales or perceived potential sales of additional ordinary shares or ADSs.

In addition, the stock market in general, and the market prices for internet-related companies and companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States 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 these Chinese companies' securities after their offerings 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 other 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. Broad market and industry fluctuations may adversely affect our operating performance. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

Our dual-class voting structure allows our two largest shareholders to significantly influence our actions over important corporate matters, will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class voting structure which consists of Class A ordinary shares and Class B ordinary shares. Subject to certain exceptions, in respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while 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 thereof 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 equal number of Class A ordinary shares.

We issued Class A ordinary shares represented by our ADSs in our initial public offering in May 2011. Mr. Joseph Chen, who is our founder, chairman and chief executive officer, and SoftBank Group Capital Limited, a wholly-owned subsidiary of SoftBank Group Corp., are our only shareholders who hold Class B ordinary shares. As of February 28, 2019, Mr. Joseph Chen, our founder, chairman and chief executive officer, beneficially owns approximately 23.8% of our outstanding Class A ordinary shares and approximately 55.8% of our outstanding Class B ordinary shares, representing in aggregate 47.6% of our total voting power, and SoftBank Group Capital Limited owns approximately 36.5% of our outstanding Class A ordinary shares and approximately 44.2% of our outstanding Class B ordinary shares, representing in aggregate 42.7% of our total voting power.

Due in large part to the disparate voting powers attached to the two classes of ordinary shares, Mr. Chen and SoftBank Group Capital Limited have controlling power over matters requiring shareholder approval, subject to certain exceptions. As between Mr. Chen and SB Pan Pacific Corporation, the approvals of SB Pan Pacific Corporation are required for certain important matters relating to our company. See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares—Voting Rights.” This concentration of ownership and voting power in the hands of Mr. Chen and SoftBank Group Capital Limited 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 our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase ADSs. In addition, these persons could divert business opportunities away from us to themselves or others.

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

Sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of February 28, 2019, not including options, we have 1,044,891,318 ordinary shares outstanding comprised of (i) 463,417,860 Class A ordinary shares represented by ADSs, among which 239,922,360 Class A ordinary shares are represented by ADSs that are freely transferable without restriction or additional registration under the Securities Act, and the rest are represented by ADSs that are subject to transfer restriction or additional registration under the Securities Act, (ii) 276,085,008 Class A ordinary shares not represented by ADSs, which are available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act, and (iii) 305,388,450 Class B ordinary shares which, following conversion to Class A ordinary shares by the holder of the Class B ordinary shares, are available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act.

Certain holders of our ordinary shares have the right to cause us to register under the Securities Act the sale of their shares. 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.

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

Except as described in this annual report and in the deposit agreement, dated as of May 4, 2011, and amendment no. 1 to the deposit agreement, dated as of February 6, 2017, by and among our company, Citibank, N.A., as depositary, and the holders and beneficial owners of American depositary shares, holders of our ADSs will not be able to exercise voting rights attaching to the underlying Class A ordinary shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the underlying Class A ordinary shares represented by the ADSs. Upon receipt of your voting instructions, the depositary will vote the underlying Class A ordinary shares in accordance with these instructions.

Pursuant to our amended and restated memorandum and articles of association, we may convene a shareholders' meeting upon seven calendar days' notice. If we give timely notice to the depository under the terms of the deposit agreement, which is 30 days' notice, the depository will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to instruct the depository to vote the underlying Class A ordinary shares represented by your ADSs, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested. In addition, although you may directly exercise your right to vote by withdrawing the Class A ordinary shares underlying your ADSs, you may not receive sufficient advance notice of an upcoming shareholders' meeting to withdraw the Class A ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends if it is impractical to make them available to you.

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

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

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

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. For example, the depository is expected to close its transfer books temporarily in connection with the cash dividend that we announced on April 30, 2018. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

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

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries and consolidated affiliated entities. Most of our directors and officers reside outside the United States and a substantial portion of the assets of such directors and officers are located outside of the United States. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or these persons, or to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2018 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

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

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

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

We may be a passive foreign investment company for United States federal income tax purposes, which could subject United States investors in the ADSs or ordinary shares to significant adverse United States income tax consequences.

Depending upon the value of our ordinary shares and ADSs and the nature of our assets and income over time, we could be a PFIC for United States federal income tax purposes. A non-United States corporation will be treated as a PFIC for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income, or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income. Passive income is any income that would be foreign personal holding company income under the Internal Revenue Code of 1986, as amended, including, without limitation, dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and income from notional principal contracts.

We believe we were classified as a PFIC for the taxable year ended December 31, 2018. Our PFIC status for the current taxable year ending December 31, 2019 will not be determinable until after the close of the year, and we may also be classified as a PFIC for such taxable year and in future taxable years. Our PFIC classification for any particular year will depend on the value of our ordinary shares and ADSs, the nature of our assets and income over time, and the nature of our business. There can be no assurance that we will not be a PFIC for any future taxable year, even now that we hold fewer passive investment assets as a result of the OPI Transaction.

If we are a PFIC for any taxable year in which you hold our ADSs or ordinary shares and you are a U.S. Holder (as defined in “Item 10.E—Additional Information—Taxation—United States Federal Income Tax Considerations—General”), you generally will become subject to increased U.S. federal income tax liabilities and special U.S. federal income tax reporting requirements, unless you make a timely “mark-to-market” or, potentially, a “Qualified Electing Fund” election to mitigate some of the applicable consequences. For more information on the U.S. federal income tax consequences to you that would result from our classification as a PFIC, see “Item 10.E Additional Information—Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

Item 4. Information on the Company

A. History and Development of the Company

We began our operations in China in 2002 through Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, which subsequently became one of our consolidated affiliated entities. Our current holding company, Renren Inc., was incorporated in February 2006 in the Cayman Islands under our prior name, Oak Pacific Interactive. Through a corporate restructuring in March 2006, Oak Pacific Interactive became our holding company. In December 2010, we changed our corporate name from Oak Pacific Interactive to Renren Inc.

On March 25, 2011, we implemented a ten-for-one share split. Except as otherwise indicated, all information in this annual report concerning share and per share data gives retroactive effect to the ten-for-one share split.

In May 2011, we completed our initial public offering and our ADSs began trading on the NYSE under the symbol “RENN.”

In the years following our initial public offering, we acquired or disposed of several businesses as we explored different ways of monetizing our SNS platform:

- In October 2011, we acquired *56.com*, a leading user generated content online video sharing website in China. We disposed of this business in two stages in October 2014 and December 2014.
- In October 2013, we disposed of the majority of our equity interest in our group-buying services business. We disposed of our remaining interest in this business in February 2014.
- In November 2015, our board of directors approved the disposition of our online game business. We completed the disposition of this business in March 2016.

We launched our financing business in the fourth quarter of 2014 with Renren Fenqi, a financial service platform providing credit financing to college students in China for making purchases on e-commerce platforms on an installment payment basis. In the first quarter of 2015, we launched a used automobile financing service to provide credit financing to used automobile dealers in China. In the second quarter of 2015, we launched Renren Licai, a financing platform, as one source of funds for the credit financing that we extend in our internet finance business. In the second quarter of 2016, we stopped making loans through Renren Fenqi, and in the third quarter of 2017, we stopped issuing new financing products on our Renren Licai platform. Kaixin’s financing business currently has ceased to extend financing to third parties, and instead focuses on internal financing to Kaixin’s dealerships.

Renren SNS gradually transitioned to the sale of internet value-added services, or IVAS, relating to virtual items and VIP memberships in connection with live streaming services. Woxiu is a PC-based social video platform that was originally offered on *56.com* and remained part of our company after we disposed of *56.com* in 2014. In the second quarter of 2016, we launched Renren mobile live streaming to serve as the mobile counterpart to Woxiu.

We launched our SaaS businesses in the United States with Chime, an all-in-one real estate solution provider, in August 2016.

On February 6, 2017, we changed the number of ordinary shares represented by each ADS from three to fifteen. Except as otherwise indicated, all ADS and per ADS data in this annual report give retroactive effect to this change.

We launched our used automobile business in the middle of 2017, and used automotive sales already accounted for the majority of our revenues in 2017. We operate our used automobile business primarily through our wholly-owned subsidiary Kaixin.

We further expanded our SaaS businesses by our acquisition of Geographic Farming, LLC, a 360° real estate marketing and media service provider, in August 2017. Geographic Farming provides fully customizable lead capture landing pages that offer multiple home value estimates.

In December 2017, we acquired 100% of Trucker Path Inc., a transportation network company specializing in online and mobile services for the trucking industry in the United States. Trucker Path operates a large American online trucking community with over one million installs of its application on Google Play Store.

In June 2018, we paid a special cash dividend and disposed of the overwhelming majority of our long-term investments. See “—The OPI Transaction” below.

In December 2018, we disposed of all tangible and intangible assets in our SNS platform and the related business, including Renren mobile live streaming. We now classify our SNS business under discontinued operations. See “—Sale of SNS Business” below.

In April 2019, we closed a series of transactions that raised approximately US\$30.9 million for Kaixin, reduced our equity interest in Kaixin below 100% and resulted in the separate listing of Kaixin on the Nasdaq Stock Market. See “—The Kaixin Offering” below.

The OPI Transaction

On April 30, 2018, we announced a special cash dividend payable to all holders of our ordinary shares (including ordinary shares represented by ADSs). At the same time, we also announced that Oak Pacific Investment, a wholly-owned subsidiary of Renren Inc., would be conducting a private placement in which it would offer its ordinary shares solely to shareholders of Renren, for which the waiver of the cash dividend would be the sole form of payment that would be accepted. We refer to the cash dividend, the private placement, and the ancillary agreements and actions as the OPI Transaction.

The OPI Transaction was undertaken to reduce the number and aggregate size of our long-term investments in order to mitigate the risk of Renren being deemed to be an investment company within the meaning of the Investment Company Act of 1940. At the time of the OPI Transaction, Oak Pacific Investment held one active business, which was our ZenZone advertising agency business. Oak Pacific Investment also held shares in 44 portfolio companies and interests in 6 investment funds. These portfolio companies and investment funds had an aggregate book value of US\$530.6 million as of December 31, 2017, and represented the overwhelming majority of our long-term investments in terms of both book value and fair market value.

The private placement closed on June 21, 2018, and we completed the payment of the special cash dividend shortly thereafter. The one share in Oak Pacific Investment previously held by Renren Inc. was redeemed for no value as part of the OPI Transaction, and Oak Pacific Investment became entirely owned by the purchasers in the private placement. Renren no longer has any ownership interest in Oak Pacific Investment and Oak Pacific Investment is no longer consolidated in our financial statements. Immediately prior to the closing of the private placement, Oak Pacific Investment issued a note to Renren as part of the OPI Transaction. The principal amount of the note was US\$90,000,000, the interest rate was 8% per year, and the term was the earlier of five years and the date upon which Oak Pacific Investment and its subsidiaries no longer hold any shares of Social Finance Inc. In March 2019, the interest rate was increased to 8.5% per year in connection with a refinancing of Oak Pacific Investment’s debt obligations.

Sale of SNS Business

In December 2018, we disposed of all tangible and intangible assets in our SNS platform and the related business, including Renren mobile live streaming, to Beijing Infinities Interactive Media Co., Ltd. for cash consideration of US\$20 million and shares in the purchaser’s parent company, Infinities Technology (Cayman) Holding Limited, with a value of US\$40 million, based on an agreed-upon estimated valuation of US\$700 million for the parent company.

Oak Pacific Holdings, a company controlled by Mr. Joseph Chen, our chairman and chief executive officer, and Mr. James Jian Liu, our executive director and chief operating officer, controls one of the minority shareholders of the purchaser. This asset sale transaction was discussed and approved by the audit committee of Renren’s board of directors, which considered the background and material terms of this transaction as well as the result of a fairness analysis conducted by Duff & Phelps, LLC, and was approved by Renren’s board of directors. As required by our articles of association, this transaction was also conditional on the approval of SB Pan Pacific Corporation, an affiliate of one of our major shareholders, which approval was obtained.

The sale closed on December 29, 2018, and we classify our former SNS business under discontinued operations. However, as there are certain post-closing procedures to complete with the purchaser, there are certain risks associated with the transaction still remaining on our part. See “Item 3.D. Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business—Until we can complete certain post-closing procedures, we will maintain title to the trademarks and domain names used by the SNS platform and related businesses that we sold in 2018. If the purchaser’s operation of the SNS business is not in compliance with PRC regulations, we may be subject to severe penalties.”

The Kaixin Offering

We use “Kaixin” in this annual report to refer to the entity that operates our used automobile business. Prior to April 30, 2019, “Kaixin” refers to Kaixin Auto Group, which was a wholly-owned subsidiary of Renren Inc. From April 30, 2019, “Kaixin” refers to Kaixin Auto Holdings, a company listed on the Nasdaq Stock Market. Kaixin Auto Holdings was formerly CM Seven Star Acquisition Corporation, a blank check company formed for the purpose of entering into a business combination with one or more businesses. Pursuant to a series of transactions that closed on April 30, 2019, Renren Inc. acquired a controlling interest in Kaixin Auto Holdings and Kaixin Auto Holdings acquired 100% ownership of Kaixin Auto Group. This series of transactions also raised approximately US\$28.3 million for Kaixin and resulted in the separate listing of Kaixin on the Nasdaq Stock Market under the ticker symbol KXIN. We refer to this series of transactions as the “Kaixin Offering.”

Renren currently holds approximately 25.0 million ordinary shares of Kaixin. An additional 3.3 million ordinary shares of Kaixin Auto Group are being held in escrow as potential indemnity for claims that may be asserted under the share exchange agreement relating to the Kaixin Offering. These 3.3 million shares will be released to Renren in May 2021 if they remain in escrow at that time. An additional 19.5 million ordinary shares of Kaixin are being held in escrow as earnout shares pending Kaixin’s financial results for 2019 and 2020. The earnout shares will be cancelled if they are not transferred to Renren pursuant to the earnout provisions by May 2021.

Renren has the right to vote the 22.8 million ordinary shares that are held in escrow as well as the 25.0 million ordinary shares that it holds directly. While the earnout shares remain outstanding, Renren will have the right to exercise 77.9% of the outstanding vote of Kaixin, assuming no other changes to Kaixin’s capital structure. If the 19.5 million earnout shares are cancelled, Renren will have the right to exercise 67.6% of the outstanding vote of Kaixin, assuming no other changes to Kaixin’s capital structure.

If Kaixin’s gross revenue for the year ended December 31, 2019 is greater than or equal to RMB5 billion, Renren is entitled to receive 1,950,000 ordinary shares of Kaixin. If Kaixin’s adjusted EBITDA for the year ended December 31, 2019 is greater than or equal to RMB150 million, Renren is entitled to receive 3,900,000 ordinary shares of Kaixin, increasing proportionally to 7,800,000 ordinary shares if Kaixin’s adjusted EBITDA is greater than or equal to RMB200 million. Finally, if Kaixin’s adjusted EBITDA for the year ended December 31, 2020 is greater than or equal to RMB340 million, Renren is entitled to receive 4,875,000 ordinary shares of Kaixin, increasing proportionally to 9,750,000 ordinary shares if Kaixin’s adjusted EBITDA is greater than or equal to RMB480 million. Any earnout shares that are not earned will be cancelled.

Furthermore, notwithstanding the revenue and adjusted EBITDA achieved by Kaixin for any period, Renren will receive the 2019 earnout shares if Kaixin’s stock price is higher than US\$13.00 for any sixty days in any period of ninety consecutive trading days during an fifteen month period following the closing, and Renren will receive the 2019 earnout shares and the 2020 earnout shares if Kaixin’s stock price is higher than US\$13.50 for any sixty days in any period of ninety consecutive trading days during a thirty month period following the closing. In addition, in either case the 3.3 million ordinary shares held in escrow as potential indemnity would be released to us together with the applicable earnout shares, although this would not relieve us of any potential liability under the share exchange agreement. As of May 13, 2019, the closing price for Kaixin shares on the Nasdaq Stock Market was US\$3.19.

Kaixin has reserved approximately 4.7 million ordinary shares for issuance under its equity incentive plan. Furthermore, under the equity purchase agreements pursuant to which Kaixin has acquired majority control of its dealerships and certain after-sale partners, Kaixin is obligated to make certain payments of its ordinary shares over a six-year period to sellers who have retained a minority interest in the special purpose holding entity of those dealerships and after-sale service centers. In connection with the Kaixin Offering, Renren has agreed to bear the obligation to make these payments, which will further reduce our equity interest in Kaixin. See “Item 4.B—Business Overview—Certain Legal Arrangements—Legal Arrangements with Dealerships and After-Sale Partners” and note 5 to the accompanying financial statements. Transfers of Kaixin shares by Renren to these sellers would further reduce Renren’s ownership interest in Kaixin.

Shareholder Value Fund, which holds approximately 5.0 million ordinary shares of Kaixin, has agreed to grant a proxy to us with respect to the vote of all the ordinary shares it beneficially owns it with respect to the appointment of any independent directors or director nominees and any of their successors or replacements.

We expect that we will continue to consolidate Kaixin in our financial statements, such that our revenues and expenses should not be reduced by the reduction in our equity interest in Kaixin. However, net income attributable to Renren Inc. may be materially less than our net income due to the various minority interests in Kaixin.

Kaixin will continue to be led by its existing management team with Chen Ji as its chief executive officer and Thomas Ren as its chief financial officer. Mr. Joseph Chen is the chairman of the board of directors of Kaixin. Kaixin will remain headquartered in Beijing, China.

Our Offices

Our principal executive offices are located at 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, the People’s Republic of China. Our telephone number at this address is +86 10-8448-1818. Our registered office in the Cayman Islands is located at PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands. Our telephone number at this address is +1 345-949-8066. We also have offices in 32 other cities in China, including Shanghai and Guangzhou, as well as 1 office in the United States and 1 office in the Philippines.

B. Business Overview

Overview

Our Kaixin business provides car purchasers in China with access to a wide selection of used vehicles across our network, with a focus on premium brands such as Audi, BMW, Mercedes-Benz, Land Rover and Porsche. In addition, we arrange financing options for customers through Ping An Bank and other financial services partners. We also offer value-added services including warranties, insurance and after-sale products and services. Our after-sale products and services include registration, detailing, maintenance and accessories. We launched this business in the middle of 2017, and used automotive sales already accounted for the majority of our revenues in 2017. During 2017, we provided floor financing to third-party used automobile dealers in addition to our own dealerships, but currently we only extend new financing to our own dealerships. In the year ended December 31, 2018, approximately 93.8% of our net revenues were derived from our used automobile sales business.

We have a network of 14 dealerships across China. For the most part these are located in tier 2 and lower cities, where we believe the mix of cost structure, consumer demand and opportunity for growth is most favorable. We provide capital, a unified brand, a technology system and operational coordination. Under this model, all of the cash flow, financial and accounting recordkeeping across our dealerships is centralized. In addition, marketing and promotional activities are also centralized, although certain aspects may be executed at the dealership level. Due to restrictions on foreign ownership of certain industries in China, our variable interest entity Shanghai Jieying Automobile Sales Co., Ltd., or Shanghai Jieying, is the contracting party under these arrangements.

Woxiu, which means “a show of your own” in Chinese, is a social video platform for users to stream their performances live to viewers. Woxiu was originally a PC-based platform, and was complemented by Renren mobile live streaming, which we launched in the second quarter of 2016. Woxiu has since developed its own mobile-based component, and we disposed of Renren mobile live streaming together with the rest of our SNS business at the end of 2018. Approximately 5.7% of our net revenues in 2018 were derived from Woxiu and a variety of other internet value-added services, or IVAS.

Our SaaS businesses began with our launch of Chime in August 2016 and it was further expanded by our acquisition of Geographic Farming, LLC, in August 2017. Chime is an all-in-one real estate solution provider and Geographic Farming is a 360° real estate marketing and media service provider. Unlike our other businesses, our SaaS business is currently focused on the U.S. market rather than the China market. Our SaaS businesses are still in the early stages of development and did not generate significant revenue in 2018.

Trucker Path is the provider of a social platform for the trucking industry in the United States which we acquired in December 2017. Its core product is the Trucker Path app, a trip planning companion for truck drivers, enabling a large driver community to assist each other in updating the real-time status of relevant points-of-interest on their route. It helps truckers find truck stops, available parking spots, rest areas, scales, open Department of Transportation weigh stations, truck washes and more.

Our total net revenues increased from US\$47.5 million in 2016 to US\$174.6 million in 2017 and US\$498.2 million in 2018, and losses from continuing operations fluctuated from US\$63.1 million in 2016 to income of US\$8.7 million in 2017 and losses of US\$158.8 million in 2018.

Our Used Automobile Business

Our used automobile business is operated by our subsidiary Kaixin. Kaixin provides dealerships an integrated technology system, centralized operational control and management, a unified brand and capital support. Kaixin primarily generates revenues from sales of used automobiles, as well as fees obtained from its role as a channel partner for third-party auto financing and other value-added services. Kaixin also generates revenues in connection with consignment arrangements with third-party dealers through which Kaixin facilitates sales of their cars. In 2018, revenues generated from auto sales constituted 97.5% of Kaixin's revenues, while floor financing revenues comprised 0.5% and other value-added services revenues comprised the remaining 2.0%.

We have a network of 14 dealerships across China, all of which are operated by Kaixin. This number does not include our dealership in Ji'nan, which became involved in legal proceedings in 2018 and is currently not operating as a business. Renren has retained direct control of the Ji'nan dealership. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for more information.

The Kaixin Offering, which closed on April 30, 2019, has reduced our ownership interest in Kaixin. Our ownership interest in Kaixin is likely to change further due to Kaixin's incentive share program, Renren's obligation to transfer Kaixin shares to the minority owners of Kaixin dealerships and others, and Renren's right to receive additional Kaixin shares based on Kaixin's financial results and share price, as well as due to any future offerings of equity or equity-linked securities that Kaixin may undertake. See "—The Kaixin Offering" above.

Automobile Sales Business

In its automobile sales business, Kaixin primarily sells used vehicles and related products and services. Kaixin's inventory is comprised of used vehicles it purchases from car owners and other sources for resale across its network, which consists of 14 dealerships. As of December 31, 2018, Kaixin offered an inventory of 1,012 vehicles. Kaixin believes its comprehensive inventory provides a wide selection to its customers. In addition, Kaixin has leveraged its deep technology expertise in generating traffic of potential buyers, providing targeted marketing, and optimizing its operational model.

Used Automobile Sales

Through its used automobile sales business, which was launched in the second half of 2017, Kaixin sells premium used automobiles, including brands such as Audi, BMW, Mercedes-Benz, Land Rover and Porsche. Used automobile sales accounted for 98.7% of all of the vehicles Kaixin sold in 2018. Kaixin displays vehicles at its in-store showrooms as well as on its Kaixin Auto mobile apps and website, and through other online vertical channels, such as Autohome and 58.com. We have found that while customers tend to browse for autos on Kaixin's mobile apps and website, which serve as a key tool for reaching and engaging potential customers, sales occur at physical dealership outlets given the importance of the showroom and test drive experience in the premium used automobile segment.

Kaixin only sells vehicles that are able to pass a thorough inspection process consisting of over 140 steps, which it is able to perform at scale across its network of dealerships prior to reconditioning. Kaixin's extensive inventory system is displayed on its web and mobile apps to all of its customers nationwide and maximizes the breadth of vehicle selection for customers at any given location. This results in a higher likelihood that customers are able to find the make, model, year and color combination that they desire. In contrast, traditional dealerships are limited in their range of selection because they typically offer only a local inventory of a few hundred vehicles at each location.

Used Automobile Sourcing. Kaixin obtains used vehicle inventory through the large and liquid national used-car market in China. Kaixin acquires vehicle inventory from a variety of sources, including auto finance and leasing companies, internet-only sales platforms, new car dealers who obtain used automobiles as trade-ins for their sales, and its own customers. Kaixin has separated the practice of trading in a used vehicle in conjunction with the purchase of another vehicle into two distinct and independent transactions. Kaixin's sourcing operations are generally conducted by its dealerships, supported by Kaixin's Dealer SaaS system, which provides market insights on pricing trends and related market dynamics, popular models and other dealer management functionality. Kaixin has developed a supplemental Kaixin affiliated network dealer model for used vehicles whereby it works with local, small-scale auto dealers through its dealerships to obtain used vehicles.

Under Kaixin's affiliated network dealer program, Kaixin may advance funds for the purchase of used automobile inventory. Kaixin has also entered into ordinary consignment sale arrangements pursuant to which Kaixin markets and sells used automobile inventory on behalf of another used automobile dealer and collects a percentage of the sale as an agency fee. Such arrangements were not formalized as an operational program and differed from Kaixin's affiliated network dealer program in that, under the ordinary consignment arrangements, Kaixin did not provide funding for the acquisition of automobile inventory, as it may do under Kaixin's affiliated network dealer program.

In addition, Kaixin uses internally developed algorithms to advise its dealerships which types of cars to target and market and appropriate prices, identifying criteria such as make, model, price range, and likely locations of such cars. Kaixin's software sifts through over 20 million data points per day, yielding approximately 6 million unique items after de-duplication, data normalization and anomaly removal. Using this data, Kaixin can evaluate tens of thousands of potential vehicle purchases each day, giving Kaixin a distinct advantage over traditional in-person sourcing methods. Kaixin utilizes a broad range of data sources, including proprietary internal data and a variety of external data sources to support its assessments. On average, vehicles sourced by Kaixin have relatively low mileage and no accident history and are less than three years old.

Inspection and Reconditioning. Before a vehicle is acquired by Kaixin, it must undergo a thorough inspection process, consisting of over 140 steps and covering all major systems, controls, features, brakes, tires and cosmetics. This process was developed by a team which had previously worked at the German Auto Quality Standards Organization. Kaixin does not acquire vehicles which are in poor condition, have a history of accidents, water or fire damage and extensive mileage, or other unacceptable attributes for its inventory. When an inspection is completed, Kaixin estimates the necessary reconditioning cost for the vehicle and the expected timing for the vehicle to be made available for sale. Kaixin also determines the scope of the reconditioning required to bring the vehicle up to Kaixin's internal quality standards. Each reconditioning location includes trained technicians, vehicle lifts, and dent repair and paint capabilities, and receives on-site support from third-party vendors with whom Kaixin has integrated systems to ensure ready access to parts and materials. Kaixin's centrally trained repair teams perform routine mechanical and minor body repairs in-house at its dealerships.

New Car Sales

Our dealership in Ji'nan also offered certain new cars, primarily parallel imports of the same major brands we sell in our used automobile business. During 2018, new car sales accounted for 72.0% of all of the automobiles sold at the Ji'nan dealership and 7.3% of all the automobiles we sold in the same period. Our new car sales model is very similar to the description under "—Used Automobile Sales" above, with the main difference being the sourcing of vehicles, which are typically sourced from manufacturers and other suppliers. However, our Ji'nan dealership has ceased operations pending the resolution of certain legal proceedings. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for more information. We have no plans to sell new cars in the foreseeable future.

Merchandising, Transportation and Fulfillment

To provide transparency to customers, Kaixin provides extensive external and interior photographs of each vehicle on its online catalog. Kaixin has instituted a unified standard across all reconditioning centers to ensure a consistent customer experience.

Kaixin typically relies on trusted third-party transportation partners to assist with the transportation of vehicles between dealership outlets, reconditioning centers and storage locations. Kaixin stores inventory at its dealerships, and when a vehicle is sold, it is available for direct pick-up or shipping to customers, whether locally or across provinces.

Kaixin's Floor Financing Business

In its used automobile floor financing service, which was launched in the first quarter of 2015, Kaixin extends credit to its dealerships and the dealers in its affiliated network. Kaixin's loans to used automobile dealerships are structured on a finance lease basis, whereby the entity lessor sells Kaixin the vehicle before leasing it back from Kaixin, making payments over time, although for accounting purposes the transaction is not treated as a sale as it is not substantively a sale due to the economic substance of the transaction. As of December 31, 2018, Kaixin had extended credit in aggregate outstanding amounts of RMB121.1 million (US\$17.6 million) to third-party, non-majority-owned dealers. Kaixin does not formally transfer the registration of the vehicle into its name or file mortgage registrations relating to the lease of the vehicle, but its contract with the lessor obligates the lessor not to take any action that could undermine Kaixin's title to the vehicle. Further, Kaixin retains in its control all documents relating to the vehicle and title and provides markings for the vehicle identifying it as owned by Kaixin. Kaixin's employees inspect the cars that are sold and leased back under these arrangements and visit the borrowers periodically to ensure that cars recorded as still in inventory have not been sold and that cars that have been sold are replaced by new inventory that becomes part of the security for the loans. Kaixin's floor financing business currently has ceased to extend financing to dealers in its affiliated network, and instead focuses on internal financing to its dealerships.

Funds for Kaixin's floor finance business historically had been provided in part by the issuance of asset-backed securities collateralized by that credit financing, other peer-to-peer platforms and Renren Licai, Renren's financing platform. These asset-backed securities were reflected as liabilities on Kaixin's balance sheet and the corresponding collateral, which was constantly renewed over the life of the securities, as assets. All asset-backed securities were repaid in April 2018, and the balance was nil as of December 31, 2018.

During 2017, Kaixin provided floor financing to third-party used automobile dealers in addition to its dealerships. Kaixin currently only extends new financing to its dealerships, such that the intracompany loans and principal and interest payments are consolidated in its financial statements, while it pays interest at a group level to lenders when the funds involved in the loan are obtained from a third-party financing partner. Kaixin's financing business currently has ceased to extend financing to third parties.

Auto Loan Financing Facilitation

The availability of financing for car sales at Kaixin's dealership outlets is a critical component of the vehicle purchase process, and having an array of financing sources increases approvals, expands finance opportunities for customers and mitigates business risks, which Kaixin believes is an important competitive advantage. As of December 31, 2018, Kaixin's financing facilitation network extended to approximately 470 dealers in 35 cities. In its financing facilitation business, Kaixin provides customers access to credit across a wide range of the credit spectrum through its partnership with Ping An Bank, Shanghai Branch. This partnership covers Kaixin's dealerships as well as a number of other third-party dealers in cities across China. Kaixin also cooperates with other major PRC financing partners. Kaixin has a direct arrangement with Ping An Bank, Shanghai Branch, while its agreement with its other primary PRC financing partner is through one of its major consumer financing affiliates. In addition to its relationship with these partners, dealerships may partner with other local financing providers.

Kaixin utilizes its sales team, dealership financial managers and sales agents, as well as representatives from its financing partners, to promote automotive financing solutions and explain the key terms to prospective car buyers. Kaixin provides credit application forms to prospective car buyers and collects completed applications from them. There is typically an interim period between the financing approval and the disbursement of funds of up to a few weeks. To address this, Kaixin typically provides interim financing to dealerships in its affiliated network to allow them to complete sales and allow customers to begin to enjoy their purchased vehicles immediately, which Kaixin records on its balance sheet as current assets. Kaixin's interim financing is repaid when customers register their vehicles as collateral to the lending bank, which then releases the funds to it.

Kaixin charges financial institutions service fees for credit origination. These service fees are typically based on a percentage of the principal amount of the relevant financing transaction. In 2018, Kaixin facilitated financing transactions in the total amount of RMB1,702.9 million (US\$257.7 million). In its role as a channel partner, Kaixin does not take counterparty risk in connection with these consumer financing activities or carry related assets and liabilities its balance sheet, which it believes is a key advantage over its competitors who do. This reduces risks to Kaixin's business while giving it the advantages of stability, customer convenience and ability to benefit from this additional source of revenue.

Value-Added Services

In addition to sales of cars and its auto loan financing facilitation business, Kaixin offers a number of value-added services to its customers. Kaixin provides these value-added services, including insurance, extended warranties and after-sale services, through its own dealerships as well as dealers in its affiliated network.

We believe that we have a deep understanding of car buyers' insurance needs and are able to offer products with competitive pricing and coverage policies. Kaixin will continue to explore and identify opportunities which may include additional types of insurance, car customization, maintenance and repair, and personal wealth management products.

Insurance and Warranties

Kaixin's platform facilitates value-added services to car buyers, which currently comprise sales of third-party insurance policies and third-party extended warranty coverage. Kaixin's scale and ability to provide an effective channel for insurance brokers and companies to acquire customers have enabled it to negotiate more favorable standard terms for car buyers. Kaixin earns service fees from insurance and extended warranty policy brokers for facilitating the sale of such insurance products.

- *Insurance.* In the third quarter of 2017, Kaixin started to facilitate the sale of insurance products for insurance brokers. Kaixin is able to provide access to a large number of car buyers for insurance brokers and companies, making it a natural and highly efficient partner for them to promote their insurance products. The insurance products currently offered through Kaixin's platform are related to accident insurance.
- *Warranties.* Beginning in the second quarter of 2018, Kaixin has served as a distribution channel for automobile extended warranty providers to offer their products to its customers.

After-Sale Services

Kaixin provides customers with a range of related after-sale products and services, including detailing, maintenance and accessories. Kaixin's one-stop service simplifies the process for its customers. Kaixin currently operates one after-sale service center. We view Kaixin's after-sale service offerings as a key part of its customer engagement, enabling it to serve customers at each stage of the vehicle ownership cycle. Customers in the premium used automobile segment expect extensive after-sale services and value this as part of their relationship with Kaixin, and Kaixin views after-sale services as a critical component for its dealerships to retain their existing customers and yield increased repeat business.

Kaixin's Dealership Network

Kaixin's network of dealerships is focused primarily on tier 2 and below cities, where we believe the mix of cost structure, consumer demand and opportunity for growth is most favorable. The graphic below illustrates the scale of Kaixin's network:



Dealership Evaluation and Selection Process

In expanding its network of dealerships, Kaixin carefully considers potential markets and conducts a systematic evaluation of each potential new site, using a scoring system that it has developed internally. In its scoring system, Kaixin considers a number of factors in the area served, including:

- location, nature and quality;
- population density;
- age distribution and average disposable income of consumers;
- foot traffic for other businesses in the same area;
- locations of other car dealerships;
- estimated customer traffic;
- structure of the dealership, including availability of showroom and parking space; and
- rental costs, lease economics and estimated return on investment.

Due to its active and systematic evaluation process, Kaixin is able to maintain a robust pipeline of potential dealerships and locations. In addition, Kaixin also recommends suitable locations for its existing dealerships to expand their operations.

Management of Dealerships

Kaixin has adopted an operating model for its auto sales business which we believe aligns the economic interests of Kaixin's dealerships, in which Kaixin retains majority control, with its overall business. Kaixin provides capital, a unified brand, a technology system and operational coordination to its dealerships. Under this model, all of the cash flow, operational activities and financial and accounting recordkeeping across its dealerships are centrally managed. In addition, marketing and promotional activities are also centrally managed, although certain aspects may be executed at the dealership level. Kaixin also supports dealerships with its Dealer SaaS system, powered by big data and AI, which provides market insights and dealer management functionality, including inventory management, used automobile assessment, customer management, order management, and financing management and reporting, and assists dealerships in making day-to-day operational decisions. The Dealer SaaS system also supports their sales through data mining and analysis of existing customer data bases and online lead generation.

Kaixin believes that this operating model promotes customer loyalty and provides significant operational advantages, by introducing standard practices for operational rules, legal documentation and processes. It also creates a common culture to promote bonding and buy-in among Kaixin's direct employees, dealers and other workers across its platform.

See “—Certain Legal Arrangements—Legal Arrangements with Dealerships and After-Sale Partners—Equity Purchase Agreement” for more details on the ownership structure of Kaixin's dealerships.

Kaixin's internal team for dealership management is responsible for day-to-day operational matters as well as development and expansion of its dealership network. One of their responsibilities is to monitor compliance with the operational obligations for the management of Kaixin's dealerships. We refer to these conditions as the “constitution” governing the management of Kaixin's dealerships.

These obligations include synchronization of the financial system, business processes and rules and regulations with Kaixin's platform, such as:

- financial regulations, which cover use of funds, revenue recognition and other accounting regulations;
- vehicle procurement standards;
- vehicle evaluation and quality control, relating to used automobile evaluation, certification and pricing;
- inventory management, which covers warehousing and outbound regulations;
- vehicle sales regulations, which cover display and marketing;
- personnel and organizational structure regulations;
- management regulations, which relate to facility development and management;
- adoption of Kaixin's Dealer SaaS system, which is the primary tool for monitoring compliance; and
- adoption of Kaixin's governance structure, which requires that the board of each special purpose holding company that holds the ownership interests in one or more dealerships consists of three directors, two of whom are appointed by Kaixin.

In the event that these conditions are not fulfilled, Kaixin is entitled to recourse against the seller of the dealership or to terminate the equity purchase agreement. Kaixin also has the option to terminate the equity purchase agreement in certain circumstances, including but not limited to the death or incapacity of the seller, issues of integrity or criminal conviction of the seller, and material default by the seller.

Kaixin's relationships with its dealerships are described in further detail below under “—Certain Legal Arrangements—Legal Arrangements with Dealerships and After-Sale Partners.”

Customers

Search and Discovery. Kaixin attracts customers through a variety of channels, including referrals, walk-ins, especially for certain of our dealerships located in prime areas, and online performance-based advertising. Kaixin believes referrals are key to its customers as they will want to purchase used automobiles from a business they can trust. The Kaixin website and mobile app allow prospective car buyers to instantly browse, research, filter and identify vehicles that interest them. Approximately one-third of the automobiles in Kaixin's inventory were available for viewing on Kaixin's website and mobile app as of December 31, 2018. Kaixin has also developed a series of innovative features to enhance customer experience and enable better product discovery, such as engaging images and other content, as well as easy-to-use site navigation tools and personalization features. In addition, Kaixin also utilizes other online vertical channels such as Autohome and 58.com. When customers click on listings, they are able to leave their contact information, which will be forwarded to Kaixin's sales team at the relevant dealership. A member of the dealership sales team will make an appointment with the customer to visit the showroom.

Transaction Execution. A customer may decide to purchase a vehicle on the first visit to a Kaixin showroom, although in the premium segment, customers often spend some time before making a final purchase decision. Once a purchase decision has been made, the customer is able to complete the purchase at a Kaixin dealership outlet and if desired, apply for a loan through one of Kaixin's partners to finance the purchase. They are able to complete purchases rapidly, pending only approval of financing when it is required. Once a loan is approved by one of Kaixin's main financing partners, there is typically a waiting period of up to a few weeks before the bank releases the loan funds to the customer. Kaixin uses its own capital during the interim period between approval and release of funds by the financing partner. Kaixin strives to limit hidden fees, such that Kaixin's single price includes transfer of title and registration fees.

Financing and Payment. Through its financing partners, Kaixin is able to offer down payment and monthly payment combinations that allow customers to choose their preferred financing. Kaixin has currently integrated its system with Ping An Bank, Shanghai Branch to allow customers to apply for financing online or on-site at its dealership outlets. Kaixin is currently integrating with another major PRC financial institution and expect to support similar functionality in 2019.

Trade-in. In the event a customer wishes to trade in their existing car, Kaixin is able to provide estimates rapidly to assist them in making their decision using its technology system powered by its big data insights. Kaixin typically offers favorable trade-in terms in connection with sales.

Post-sale customer care. Once customers receive their car, Kaixin's customer service representatives manage the post-sale coordination and service call process. Kaixin believes these policies serve to cement the confidence its customers have in the quality of its vehicles and are helpful in generating referrals and repeat business.

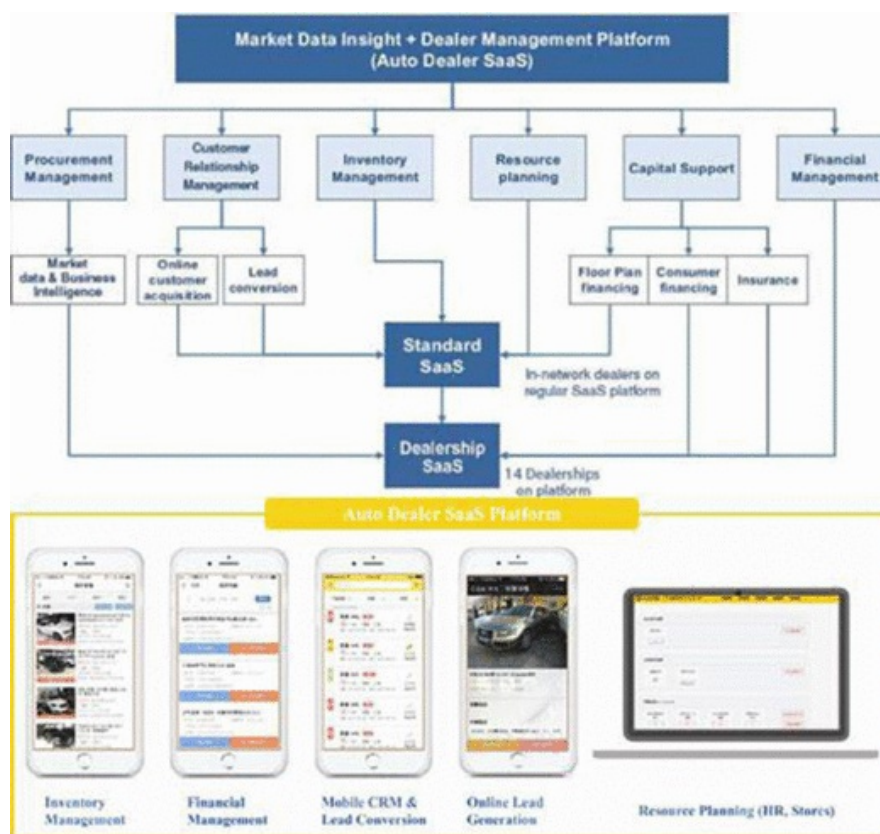
Technology

Kaixin's business is driven by data and technology at all stages of the process, from inventory purchasing, reconditioning, photography and annotation through online merchandising, sales, financing, logistics and delivery. Kaixin's proprietary and exclusive technology portfolio includes:

Customer Interface. Through its mobile app and website, Kaixin allows customers to conveniently browse vehicle inventory, arrange visits to showrooms and understand the car buying process. Users are also able to pay deposits online to reserve an automobile for purchase once they have made their selection. Users who desire to sell their cars to Kaixin are able to input information to receive an estimate for the sale of their car.

Dealer SaaS System. Kaixin's Dealer SaaS system is designed to cover every aspect of a car dealer's daily operations, including finance, inventory, sales, procurement, vehicle assessment, and value-added services to improve operational efficiency. It also provides market data insights to assist dealers in their inventory procurement and marketing. Kaixin includes all of its dealerships as well as certain of the dealers in its affiliated network in the use of this platform. The Dealer SaaS system is supported by cloud-based functions, and Kaixin also provides certain functions via its mobile apps and website.

The following graphic depicts the structure and function of Kaixin's Dealer SaaS system:



Kaixin Affiliated Network Dealer SaaS. In addition to providing services for dealerships, Kaixin opens the Dealer SaaS system to Kaixin affiliated network dealers. Any premium car dealer will be able to provide quality cars to the Kaixin inventory system for other car dealers to choose from, improve the sharing and exchange of vehicle information and helping increase turnover.

Big Data Analytics. Kaixin’s big data analytics system collects over 20 million data points daily, covering approximately 490 cities. After de-duplication, data normalization and anomaly removal, this yields approximately 6 million unique, highly relevant data items related to used vehicles for further analysis. Key inputs for this system include used automobile make, model, pricing and sales data, which Kaixin gathers from most major online used automobile vehicle data sources in China at a national level. Kaixin also leverages data sourced from Cheyipai, a B2B used automobile auction service provider. These provide a 360-degree view of market conditions using AI technology. These outputs include auto listing volumes and historical supply and demand trends, sales data at the province level, and pricing and sales data at the municipality level to generate actionable insights for Kaixin’s business, including inventory analysis, procurement intelligence and trend tracking. For instance, Kaixin is able to generate supply and demand curves for used automobiles of various models, brands and prices for specified time periods and in specified provinces and cities.

Certain Legal Arrangements

Kaixin has entered into a series of legal arrangements with its dealerships, platform participants and other related parties, which are described in further detail below.

Legal Arrangements with Dealerships and After-Sale Partners

Equity Purchase Agreement

Kaixin’s variable interest entity, Shanghai Jieying, is the contracting party under the equity purchase agreements relating to its dealerships, and Kaixin’s variable interest entity Shanghai Zhoushuo Auto Technology Co., Ltd., or Shanghai Zhoushuo, is the contracting party under the equity purchase agreements relating to its after-sale service centers. Shanghai Jieying and Shanghai Zhoushuo are together referred to below as the acquiring entities. In addition to the equity purchase agreements, in the case of dealerships, Kaixin also purchased all car inventories from each dealership for cash at fair value. The primary framework agreement relating to dealerships and after-sale service centers is an equity purchase agreement, pursuant to which the relevant acquiring entity, as purchaser, agrees with the shareholder(s) of an existing car dealership or after-sale service center, as seller(s), to purchase a majority interest in the business pursuant to the below terms:

- The shareholder(s) of the dealership or after-sale service center agree to set up a new special purpose holding entity to which the shareholder(s) transfer the eligible assets, employees and business contracts owned and leased by the existing dealership or after-sale service center to the relevant acquiring entity; in turn, the relevant acquiring entity agrees to subscribe for a portion of the equity from the seller(s) and contributes cash to the new entity to ultimately hold 70% of the equity interests in the new entity, consisting of 40% of the equity interests in the new entity transferred from the seller(s) and 30% of the equity interests in the new entity as a capital increase of the new entity.
- As consideration for the 40% of the equity interests in the new entity transferred from the seller(s), the relevant acquiring entity agrees to pay to the shareholder(s) shares issued by Kaixin (or another future overseas holding entity of the relevant acquiring entity) to the seller(s) or seller's overseas holding entity, calculated as follows:
 - First Payment: The amount of the first payment is calculated as all pre-tax net profit generated by the special purpose holding company prior to the date of the completion of the Kaixin Offering, multiplied by the relevant acquiring entity's ownership percentage in the special purpose holding entity, payable in shares of Kaixin at the per share valuation in the Kaixin Offering within 30 days after the completion of the relevant quarterly unaudited financial statements following the completion of the Kaixin Offering. We expect the first payment to be made in August 2019.
 - Subsequent Payments: The total amount of the subsequent payments is calculated as all pre-tax net profit generated by the special purpose holding company during the relevant performance benchmark period, multiplied by the relevant acquiring entity's ownership percentage in the special purpose holding company, multiplied further by a factor of 12, payable within 30 days after the completion of the relevant quarterly unaudited financial statements following the completion of the performance benchmark period and after every 12 months following the performance benchmark period until the end of the fifth and final performance benchmark period. One fifth of such shares will be granted annually from the initial determination date, over a total period of five years. We expect the first of the five subsequent payments to be made in August 2020.
 - The calculation method of the acquisition price involved in the special purpose holding company's acquisition and opening of a new dealership outlet is the same as the above provisions, but the date of calculation of the specific performance benchmark period is determined by the board of directors of the special purpose holding company.
 - Each subsequent payment is subject to adjustment based on a performance metric set forth in the equity purchase agreement, which sets as a performance target a compound growth rate of the special purpose holding company's profit of 110%, using on the initial performance benchmark period as the baseline. In the event that the special purpose holding company's performance exceeds the expected pre-tax net profit for the year, the share consideration payable to it is increased proportionally, up to an amount equal to 250% of the number of shares nominally payable for such performance benchmark period. In the event that the special purpose holding company's performance is lower than the expected pre-tax net profit for the relevant year, the value of the share consideration payable to it is reduced proportionally, subject to a bottom limit of 50% of the value of the shares nominally payable for the relevant period.
 - Based on holding company performance and other commercial considerations, Kaixin may grant other shares to its minority equity holders.

The initial performance benchmark period is defined as the twelve-month period immediately prior to the completion of the Kaixin Offering, if the holding company's performance inclusion date, which is the date of the first month following inclusion of the relevant holding company's results in Kaixin's financial reporting, is at least 12 months prior to the listing date of Kaixin. In the event that the special purpose holding company's performance inclusion date is less than 12 months prior to the completion of the Kaixin Offering, then each performance benchmark period is calculated as the twelve-month period following its performance inclusion date.

The equity purchase agreements further provide that on the date when the special purpose holding company opens a new dealership outlet or acquires another car dealership business, a separate performance metric may be agreed upon by the parties starting from such date, with a specific performance evaluation method for the new or acquired business agreed upon by both parties.

In the case of Kaixin's dealerships, each city is covered by a single, separate special purpose holding company, which operates one or more dealership outlets in the relevant city. As of December 31, 2018, we carried contingent consideration with a fair value amounting to US\$93.7 million. For additional information, please see note 5 to the accompanying financial statements. Renren will be responsible for settling contingent obligations to dealership operators and indemnifying CM Seven Star for related liabilities.

Ancillary Agreements with Dealerships

In addition to the equity purchase agreements governing the major aspects of the legal and financial relationships between Kaixin and the partners with whom it works to operate its dealerships, Kaixin has also entered into a series of ancillary agreements which are generally designed for compliance with PRC laws and regulations and for value-added tax optimization purposes. We designate an executive of Shanghai Jieying to enter into each agreement, and we refer to this person below as the executive. Kaixin's revenue for 2018 was primarily generated from transactions under these ancillary agreements, and we expect future revenue from automobile sales to be primarily generated from transactions under these ancillary agreements. Prior to 2018, Kaixin's used automobile purchase and sale agreements generally resulted in Shanghai Jieying being considered as the legal owner of such vehicles, including while they were held in inventory.

Agreement Type	Key Terms⁽¹⁾
Used Vehicle Purchase Agreement	<p>Pursuant to the agreement among the owner of a used automobile as seller, an executive as purchaser, and a dealership employee, as registered owner:</p> <ul style="list-style-type: none"> • The executive purchases used automobiles and registers the automobiles in the names of designated employees of the dealership. • Shanghai Jieying provides technology consulting services and operational management system services to the executive, and the executive pays service fees to Shanghai Jieying.
Used Automobile Agency Services Agreement	<p>Pursuant to the agreement among Shanghai Jieying, an executive, the dealership and the shareholders of the dealership:</p> <ul style="list-style-type: none"> • The executive entrusts the dealership to purchase, sell, manage, repair and show used automobiles on his or her behalf. • Shanghai Jieying pays a monthly fee to the dealer based on the business performance of the dealership. • The executive complete the transfer procedures for the purchase and sale of automobiles.
Vehicle Consignment Agreement	<p>Pursuant to the agreement between an executive, as principal, and dealership employee, as agent:</p> <ul style="list-style-type: none"> • The executive authorizes relevant dealership employees to purchase relevant cars on his or her behalf. • The executive authorizes dealership employees to register themselves as the named transferee of the vehicles and register the ownership of the cars in their names, while legal ownership remains in the hands of the executive. • When a car is sold by an executive, dealership employees are to handle third-party transfer procedures in a timely manner.
Loan and Service Agreement	<p>Pursuant to the agreement between an executive, as borrower, and Shanghai Jieying, as lender:</p> <ul style="list-style-type: none"> • Shanghai Jieying provides loans to the executive which are used to purchase used automobiles. • Proceeds from used automobiles sold by the executive on behalf of Shanghai Jieying are used in their entirety to repay the loan. Proceeds in excess of the principal are designated as a service fee paid to Shanghai Jieying from the executive.
Used Vehicle Sales Agreement	<p>Pursuant to the agreement among an executive, as seller, a customer, as purchaser, a designated dealership employee, as the registration transferor, and Shanghai Jieying, as service provider:</p> <ul style="list-style-type: none"> • When an executive sells used automobiles to customers, the automobile registration is transferred from the dealership employee to the customer. The sale proceeds are transferred to the account designated by the executive. • Shanghai Jieying provides technology consulting services and operational management system services to the executive, and the executive pays service fees to Shanghai Jieying, which are deducted from the proceeds of the auto sale.

(1) Note: These represent the typical content of contracts Kaixin enters into in connection with our auto sales operations. Kaixin may depart from these terms from time to time based on local conditions, counterparty demands, tax or regulatory considerations or other reasons. Prior to 2018, Kaixin's used automobile purchase and sale agreements generally resulted in Shanghai Jieying being considered as the legal owner of such vehicles, including while they were held in inventory.

To illustrate, when Kaixin sources an automobile pursuant to a used vehicle purchase agreement, the seller is entitled to payment for the car, and the legal title is transferred to the executive, with the registration in the name of one of the dealership employees. The executive is authorized to enter into this purchase agreement pursuant to a used automobile agency services agreement, and the dealership employee similarly is authorized to enter into the agreement pursuant to the vehicle consignment agreement. Funds are paid directly by Shanghai Jieying to the seller of the car.

When a used automobile is sold, the executive transfers the legal ownership to the purchaser, while the dealership employee completes the registration transfer from his or her name to the name of the purchaser. The proceeds are remitted to Shanghai Jieying.

Based on the agreements, neither the executive nor the dealership employee bears any risk of loss or has any future economic benefit. Neither party ever places their funds at risk and any potential losses resulting from the purchase and sale of the car are borne by Shanghai Jieying. Similarly, neither party is able to benefit from the expected increase in the price of the car resulting from completion of sale to a third-party customer; all of the future economic benefit is remitted directly to Shanghai Jieying. Additionally, Shanghai Jieying effectively controls the entire process starting from the purchase of the car, which includes who the car is purchased from as well as the purchase price, and ultimately the sale of the car to a third party. In addition, Shanghai Jieying has sole discretion as to which executive will enter into the agreement with Shanghai Jieying and to which dealership employee it will assign the registration of the car. Furthermore, it is within Shanghai Jieying's sole power to redirect the agreement and title and registration of the car.

When the special purpose entity is formed to hold a dealership, the prior owner holds 30% of the equity interests in the entity, and Shanghai Jieying holds 70% of the equity interests. Kaixin provides inventory financing to these dealerships using its own funds as well as funds from as third-party financing partners. Kaixin also monitors the financial performance of its dealerships on a real-time basis through its Dealer SaaS system.

Arrangements with Affiliated Network Dealers

In addition to its dealerships, Kaixin also engages with affiliated network dealers through its platform, primarily to meet its inventory needs by collaborating with them and providing them with financing. Kaixin works with both large dealers, who may have a broader and more diverse inventory collection and more need for its financing services, and small dealers, who may have better local knowledge or offer inventory on more attractive terms.

Prior to 2018, Kaixin entered into ordinary consignment sales arrangements pursuant to which Kaixin markets and sells used automobile inventory on behalf of another used automobile dealer and collects a percentage of the sale as an agency fee. Such arrangements were not formalized as an operational program and differed from Kaixin's affiliated network dealer program in that under the ordinary consignment arrangements, Kaixin did not provide funding for the acquisition of automobile inventory, as it may do under Kaixin's affiliated network dealer program. In 2018, Kaixin initiated its affiliated network dealer program. Under this program, dealers may enter into arrangements pursuant to which they sell Kaixin's used automobile inventory for display in its showrooms, subject to a profit sharing agreement pursuant to which they are entitled to a portion of the sale profits. Under this program, Kaixin may advance funds for the purchase of used automobile inventory.

This inventory is subject to the same quality standards as all of Kaixin's other used automobiles on offer, including its inspection process consisting of over 140 steps. In the event that the car is not sold within 45 days, Kaixin is authorized to sell it back at purchase price. Kaixin also supports these dealers with its Dealer SaaS system, which provides market insights and dealer management functionality. These services significantly strengthen Kaixin's relationships with dealers, which in turn enhance the value of its platform to financial institutions, car buyers and affiliated network dealers.

As of December 31, 2018, Kaixin has 1,280 affiliated network dealers, which included approximately 1.3% of used automobile dealers in China, covering 64 cities in 30 province-level administrative regions in China.

Kaixin manages its relationships with affiliated network dealers through a dedicated in-house team. Responsibilities of this team include sourcing, review and approval of dealer financing relationships, monitoring of vehicles sourced from dealers, and management of its dealer database. Kaixin monitors performance data on a real-time basis through its Dealer SaaS system.

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

Through its sales management system, Kaixin constantly monitors and evaluates dealer performance, including factors such as the quality of vehicles it sources from them, as well as the dealership's sales performance.

Legal Arrangements with Financial Institutions

Financial institutions are important business partners to Kaixin's platform. Kaixin acts as a key channel partner for financial institutions to participate in the rapidly expanding and dynamic automotive finance industry in China. Traditional financial institutions typically lack the necessary technology, human resources, industry specialization and/or geographic reach to provide automotive financing, especially within tier 2 and below cities. Kaixin's services enable financial institutions to broaden their reach to car buyers through its application and network of dealerships. Kaixin's collaboration with financial institutions has enabled it to scale up its business and facilitate a large number of car sales without straining its own capital resources. In 2018, approximately 13% of Kaixin's car sales were supported by a financing arrangement. Kaixin receives service fees from financial institutions for facilitating automotive financing transactions to car buyers. As of December 31, 2018, Kaixin was in collaboration with several third-party financial institutions, including Ping An Bank, Shanghai Branch.

Through its subsidiary, Shanghai Jieying, Kaixin has entered into agreements with Ping An Bank, Shanghai Branch, for whom it sources customers who take out loans from two financial institutions. Pursuant to these agreements, Kaixin, through Shanghai Jieying, directs its dealerships to offer loans to customers when making a sale. When a loan is made, the financing partner pays service fees to Shanghai Jieying, calculated based on the principal amount of the loan and the interest rate. In its relationship with Ping An Bank, Shanghai Branch, Kaixin is committed to a minimum of five loans per calendar month. If the minimum five loans per calendar month are not met, Shanghai Jieying will not be required to pay any fees to Ping An Bank, Shanghai Branch, nor receive any service fees from Ping An Bank, Shanghai Branch. Kaixin is not eligible for fees in respect of loans for which payments are not timely paid in the first three months following origination.

Kaixin's framework agreement with Ping An Bank, Shanghai Branch has a term of one year, automatically renewable annually absent notice by one party to the other, which was renewed most recently in January 2019.

Kaixin's agreement with its other primary financing partner similarly provides for service fees to be paid to it in connection with auto loan financing referrals, which is calculated based on the principal amount of the loan, the annual percentage rate, adjusted for market fees, processing fees, appraisal fees and security fees, if applicable. The term of this agreement runs until December 31, 2019, and it is automatically renewable annually absent notice by one party to the other.

Our Internet Value-added Services Business

Woxiu, which means "a show of your own" in Chinese, is a social video platform for users to stream their performances live to viewers. With our social networking features, users can chat with the performer and other audience members and purchase virtual items from us such as flowers, jewelry or sports cars to show their support and appreciation for the performers. The performers receive a portion of the purchase price for the virtual items that are gifted to them. Virtual items, such as cartoon images, flashes, birthday cards and gift cards containing our virtual currency, may also be sent by users to friends. Some virtual items are free and others need to be purchased. VIP memberships provide our users with additional features and benefits such as larger size limits on photo albums and email inboxes.

Our SaaS Businesses

We are developing a lead generation and customer relationship management (CRM) solution for real estate professionals in the United States under the brand name Chime. Chime is a comprehensive SaaS platform being designed to offer CRM, IDX and team management solutions and help real estate professionals launch marketing campaigns, track leads' activities, build customer relationships, manage websites and seamlessly communicate with teams across multiple devices. Through cooperation with these top real estate professionals, Chime consolidates digital tools used in the real estate industry into one mobile-based easy-to-use platform.

We launched Chime in August 2016. Our Chime team consists of 187 employees as of December 31, 2018, among which 105 employees are responsible for research and development, 38 employees are responsible for sales and 44 employees are responsible for operations and general administration. Our Chime research and development team is based in Beijing and Wuhan and our Chime sales and operation teams are based in Utah. This business is still in an early stage.

In August 2017, we acquired 100% of Geographic Farming, LLC, a 360° real estate marketing and media service provider. Geographic Farming provides fully customizable lead capture landing pages that offer multiple home value estimates. We have enhanced Geographic Farming with Chime's customer relation management solution.

Our Renren SNS Business

Renren, our main social networking website plus mobile service, was historically the foundation of our service offerings. However, intense competition in the mobile internet environment, where there are numerous mobile applications dedicated to meet the specific needs of different users, caused the usage of our platform to decline. On November 14, 2018, we announced that we had agreed to sell all tangible and intangible assets in our SNS platform and the related business, including Renren mobile live streaming, to Beijing Infinities Interactive Media Co., Ltd. for cash consideration of US\$20 million and shares in the purchaser's parent company, Infinities Technology (Cayman) Holding Limited, with a value of US\$40 million, based on an agreed-upon estimated valuation of US\$700 million for the parent company. The transaction was consummated on December 29, 2018. The disposal of the SNS business represents a strategic shift of our operations where we will no longer focus on social networking business but will rather focus on our used car business in China as well as our business outside of China. See "Item 4. Information on the Company—A. History and Development of the Company—Sale of SNS Business." We now classify our SNS business under discontinued operations.

Strategic Investments

As our business model was transitioning, one of our principal business activities was evaluating and making a series of long-term investments in privately held companies that we believed offered us synergies or access to resources and know-how. The majority of these investments by value was concentrated in the fields of internet finance, social finance, and real estate investment and management, and the number and aggregate size of these investments was significant. Due to the risk of being deemed to be an investment company, we disposed of most of these investments in 2018. See “Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction.”

Sales and Marketing

Sales

We believe that the customer base for our Kaixin business is similar to the overall market for premium automobiles. To date, the growth of our Kaixin automobile sales business has primarily been through customer referrals. We also believe that our strong customer focus ensures customer loyalty which will drive both repeat purchases and referrals. Kaixin’s sales are primarily made in-store, but we have invested heavily in online sales channels, including through the Kaixin app and web interface. We also utilize other online vertical channels such as Autohome and 58.com. We believe that this is a key advantage over our competitors, whether traditional dealers, who do not have a strong online presence, or online-only competitors, who lack the offline infrastructure and in-store experience that Kaixin is able to provide.

Marketing and Brand Promotion

We believe that brand recognition is important to our ability to attract users. We have a marketing team that initiates various marketing activities, and we have engaged in both online and offline marketing activities to promote our brands. To date, user recognition of our brands has primarily grown virally and by referrals, and we have built our brands with modest marketing and brand promotion expenditures. To encourage viral growth, we focus on continuously improving the quality of our services, as we believe satisfied users and their friends are more likely to recommend our services to others. We also work with other operators and platforms for cross-marketing and co-branding projects to further leverage our existing brand value.

We are currently aggressively rebranding our dealerships, many of whom have an established local brand, as Kaixin dealerships. Currently, we are co-branding our dealerships to associate their existing brands with the Kaixin brand, which means “Happiness” in Chinese and has had strong impact and positive response in other applications, including a social gaming platform previously operated by Renren. We believe that, by empowering our dealers with this highly recognizable brand name, they will gain further credibility and trustworthiness.

We have successfully obtained a trademark registration for 开心汽车, which translates to “Kaixin Auto”, in category 35, which covers areas we deem crucial to Kaixin’s business. However, we have not yet obtained trademark registrations in other important categories, including automobile maintenance. Therefore, we might be unable to completely prevent a third party from using the Kaixin brand for a business that is the same or similar to Kaixin’s. We are still in the process of obtaining trademark registration for the Kaixin brand name in other relevant categories. We may not be able to successfully register Kaixin’s brand in such categories and may even be exposed to the risk that we are held to be infringing third-party trademark rights. We believe that the Kaixin brand is vital to its competitiveness and its ability to attract new customers. Any failure to protect these rights could adversely affect our business and financial condition. See “Item 3.D. Risk Factors—Risks Related to Our Business and Industry—Our own intellectual property rights may be infringed, which could materially and adversely affect our business and results of operations.”

We have disposed of the right to use the Renren brand to the purchaser of our SNS business. See “Item 4. Information on the Company—A. History and Development of the Company—Sale of SNS Business.”

We anticipate that our future sales and marketing expenses will consist primarily of performance-based advertising, with the focus of driving traffic that will translate into customer purchases. We believe this is an appropriate strategy in the premium used automobile market, where customers are widely distributed and who engage in used automobile transactions relatively infrequently. We expect these advertisements will generally fall into three areas: vertical automotive media, selected online channels and selected offline channels. In addition to paid channels, we intend to attract new customers through enhancing our media and public relations efforts, including organic marketing to enhance our reputation. Although we may have to expand on our promotions from time to time, especially when we launch new services or products, we expect our marketing expenses for these promotions will be relatively small when compared to those of our principal competitors.

Customer Services

Each dealership has a team of customer support specialists who provide assistance to customers. Our specialists are available to assist customers with questions that arise throughout the car purchase process. These specialists are available via online chat or telephone and help customers navigate the website, answer specific questions and assist in loan applications. We take a consultative approach with customers, offering live support and acting as a trusted partner to guide them through each phase of the purchase lifecycle. We are committed to providing customers with a high quality transaction experience. The effectiveness of the Kaixin model is reflected in its strong customer referrals. We focus on developing our customer support specialists and providing them with the information and resources they need to offer exceptional customer service.

Seasonality

Our automobile sales business is affected by seasonality in automobile sales, which tends to affect dealers' need for financing for new inventory. Automobile sales tend to be lower in the first quarter of each year than in the other three quarters due to the effect of the Chinese New Year holiday. As our auto sales business is still growing rapidly, seasonality may be less evident than it otherwise would be, and as its business continues to evolve, the nature of seasonality may change. Our Woxiu business has similar seasonality trends.

Competition

The PRC automobile marketplace is highly fragmented. We compete against many online automobile platforms, including Uxin, Guazi, Dasouche, and Renrenche for our automotive sales business. A number of used vehicles are also bought and sold through privately negotiated transactions. The market for our SaaS businesses is highly competitive, rapidly evolving and fragmented, and subject to changing technology and low barriers to entry, shifting customer needs and frequent introductions of new products and services. The trucking industry is also highly competitive and fragmented. We compete against many local trucking companies, property freight brokers, carriers offering logistics services and freight forwarders. We also compete with companies that sell advertising in trucking industry, as well as with companies that provide social, media, and communication products and services that are designed to engage users on the web, mobile devices and online generally.

Regulation

This section summarizes the principal current PRC laws and regulations relevant to our business and operations.

Regulations on Value-Added Telecommunications Services

In 2000, the State Council promulgated the Telecommunications Regulations which draw a distinction between “basic telecommunication services” and “value-added telecommunication services.” The Telecommunications Regulations were subsequently revised in 2014 and again in 2016. In December 2015, the MIIT published the Classification Catalogue of Telecommunications Services, or the 2015 Catalogue, which took effect on March 1, 2016. The first catalogue was published in September 2000 and was subsequently amended in 2001 and 2003, respectively. Under the 2015 Catalogue, “value-added telecommunication services” was further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, is under the second subcategory of value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

In 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, which were subsequently revised in 2011. According to the Internet Measures, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC.

In 2009, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating License, or the Telecom License Measures. On July 3, 2017, Telecom License Measures was further revised and it became effective on September 1, 2017. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an interregional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

To comply with these laws and regulations, our information services operator, Qianxiang Tiancheng, holds a value-added telecommunications business operating license and an ICP license, and each of our ICP operators, Shanghai Jieying, Qianxiang Wangjing, Guangzhou Qunge and Wole Shijie holds an ICP license.

Restrictions on Foreign Ownership in Value-Added Telecommunications Services

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council in December 2001 and amended in September 2008 and 2016, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunication business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or its authorized local branches, and the relevant approval application process usually takes six to nine months.

In 2006, the MIIT issued the Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must legally own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service 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 notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses.

On March 13, 2019, the National People's Congress promulgated the PRC Foreign Investment Law, which will be effective January 1, 2020. The Foreign Investment Law replaces a trio of existing laws regulating foreign investment in China: namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law references pre-establishment national treatment along with a negative industry list for foreign investment. The negative list will be issued by the State Council and list industry sectors prohibited to foreign investment. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) issued in June 28, 2018, the ultimate foreign equity ownership of a value-added telecommunications service provider in the PRC may not exceed 50%.

To comply with these regulations, we operate our websites through our PRC domestic companies, Qianxiang Tiancheng, Qianxiang Wangjing Shanghai Jieying and Guangzhou Qunge, each of which holds the relevant licenses and permits.

Regulations on Internet Content Services

National security considerations are an important factor in the regulation of internet content in China. The National People's Congress, the PRC's national legislature, has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Administrative Measures on Internet Information Services, violators may be subject to penalties, including criminal sanctions, for internet content that:

- opposes the fundamental principles stated in the PRC constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;

- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- undermines the PRC's religious policy or propagates superstition;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

ICP service operators are required to monitor their websites. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of ICP license holders that violate any of the above-mentioned content restrictions, order them to suspend their operations, or revoke their ICP licenses.

In February 2015, the China Internet Network Information Center promulgated the Administrative Provisions on Account Names of Internet Users, which became effective as of March 1, 2015. These provisions require all internet information service users to authenticate their real identity information for the registration of accounts and to comply with seven basic requirements, including observing the laws and regulations, upholding the socialist regime, protecting state interests and, among other requirements, ensuring the authenticity of any information they provide. Relevant internet information service providers are responsible for the protection of users' privacy, the consistency of user information, such as account names, avatars, and the requirements contemplated in the provisions, making reports to the competent authorities regarding any violation of the provisions, and taking appropriate measures to stop any such violations, such as notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continue non-compliance.

To comply with these laws and regulations, we have adopted internal procedures to monitor content displayed on our websites, including a team of employees dedicated to screening and monitoring content uploaded on our websites and removing inappropriate or infringing content.

Regulations on Internet Publishing

The Administrative Provisions on Online Publishing Services, or the Online Publishing Provisions, was jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television in 2016, and came into effect on March 10, 2016. The Online Publishing Provisions define "online publishing services" as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC are subject to these provisions. The Online Publishing Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Online Publishing Provisions, online publications refers to digital works which have publishing features such as digital work that have been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and other methods. Any online game shall obtain approval from SAPPRFT before it is launched online. Furthermore, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises cannot engage in providing web publishing services.

Regulations on Information Security

The Ministry of Public Security promulgated measures in 1997, further revised in 2011, that prohibit the use of the internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities. In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

In 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, which require all ICP operators to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. The ICP operators must regularly update information security systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content. If an ICP operator violates these measures, the PRC government may revoke its ICP license and shut down its websites.

In November 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backup and encryption. The Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cybersecurity Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. However, no official guidelines as to the scope of "critical information infrastructure" have been formally issued.

Our PRC companies which are ICP operators have completed the mandatory security filing procedures with the respective local public security authorities, regularly update their information security and content-filtering systems with newly issued content restrictions, and maintain records of users' information as required by the relevant laws and regulations. They have also taken measures to delete or remove links to content that to their knowledge contains information violating PRC laws and regulations. Substantially all of the content published on our websites is manually screened by employees who are dedicated to screening and monitoring content published on our website and removing prohibited content. All of the other content, primarily consisting of comments posted by users, is first screened by our filtering systems and content containing prohibited words or images is manually screened by our employees. We believe that with these measures in place, no prohibited content under PRC information security laws and regulations should have been publicly disseminated through our website in the past. However, due to the significant amount of content published on our website by our users on a daily basis, if any prohibited content is publicly disseminated in the future and we become aware of it, we will report it to the relevant governmental authority. We believe these measures are generally in compliance with the relevant laws and regulations.

Regulations on Internet Privacy

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The PRC law does not prohibit ICP operators from collecting and analyzing personal information from their users. However, the Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. Pursuant to Decision on Strengthening Network Information Protection promulgated by the Standing Committee of the National People's Congress in 2012, ICP operators that provide electronic messaging services must keep users' personal information confidential and must not disclose such personal information to any third party without the users' consent or unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. In December 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective in March 2012. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulge, damage, tamper or loss of users' personal information.

In December 2012, the Standing Committee of the National People's Congress of the PRC issued the Decision on Strengthening the Protection of Online Information. Under this decision, ICP operators are required to take such technical and other measures necessary to safeguard information against inappropriate disclosure. To further implement this decision and relevant rules, MIIT issued the Regulation of Protection of Telecommunication and Internet User Information in 2013.

In November 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and that they are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

Following the Cyber Security Law, the State Administration for Quality Supervision and Inspection and Quarantine (now incorporated into the State Market Regulatory Administration) and the China National Standardization Management Committee issued the Personal Information Security Standards on December 29, 2017. These standards supplement and refine the Cyber Security Law in many respects while further subdividing personal information into general information and sensitive information. Sensitive information, including ID number, bank account, property information and transaction information, must be collected with explicit, specific, distinct and clear user consent on a fully informed basis.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security and the State Market Regulatory Administration jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps, which restates the legal collection and use of personal information, encourages app operators to conduct security certifications and search engines and app stores to clearly mark and recommend certified apps.

On March 15, 2019, the Office of the Central Cyberspace Affairs Commission and the State Market Regulatory Administration jointly issued the Notice on App Security Certification and their implementation rules, according to which the state encourages app operators to voluntarily acquire app security certification, and encourages search engines and app stores to clearly identify and give priority to those that have acquired the security certification. The certification institution responsible for such app security certification is the China Cybersecurity Review Technology and Certification Center, also known as the ISCCC, and the testing institution will be determined by the ISCCC according to the certification business requirements and technical capabilities.

To comply with these laws and regulations, we require our users to accept a user term whereby they agree to provide certain personal information to us, and have established information security systems to protect users' privacy and have filed them with the MIIT or its local branch as required.

Regulations on Broadcasting Audio/Video Programs through the Internet

In 2007, the SARFT and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008. Circular 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service providers must obtain a license from the SARFT. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled. According to relevant official answers to press questions published on the SARFT's website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. Such policies have been reflected in the Application Procedure for Audio/Video Program Transmission License.

In 2009, the SARFT released a Notice on Strengthening the Administration of Online Audio/Video Content. This notice reiterated, among other things, that all movies and television shows released or published online must comply with relevant regulations on the administration of radio, film and television. In other words, these movies and television shows, whether produced in the PRC or overseas, must be pre-approved by the SARFT, and the distributors of these movies and television shows must obtain an applicable permit before releasing any such movie or television show. In 2012, the SARFT and the State Internet Information Office of the PRC issued a Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. In 2014, the State Administration for Press, Publication, Radio, Film and Television (formed when the General Administration of Press and Publication was combined with the SARFT in March 2013) released a Supplemental Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. This notice stresses that entities producing online audio/video content, such as internet dramas and micro films, must obtain a permit for radio and television program production and operation, and also that online audio/video content service providers should not release any internet dramas or micro films that were produced with any entity lacking such permit. For internet dramas or micro films produced and uploaded by individual users, the online audio/video service providers transmitting such content will be deemed responsible as the producer. Further, under this notice, online audio/video service providers can only transmit content uploaded by individuals whose identity has been verified and which content complies with the relevant content management rules. This notice also requires that online audio/video content, include internet drama and micro films, be filed with the relevant authorities before release.

In September 2016, the SARFT issued a Circular on Strengthening the Administration on Online Live Broadcast of Audio/Video Programs. The circular requires that providers of live online broadcasts of audio/video programs must obtain an audio/video program transmission license. The circular also prohibits any organization or person on the internet from calling themselves a “television” or “television station” without authorization.

In November 2016, the Cyberspace Administration of China issued Regulations for the Administration of Online Live Streaming Services, or the Online Live Steaming Service Regulations, which took effect on December 1, 2016. The Online Live Steaming Service Regulations require that all live streaming services providers and distributors obtain licenses for their services, including that: (i) live streaming services providers and distributors of online streaming news must obtain a permit for the provision of news information services over the internet and (ii) providers of live performance broadcasts or streaming and providers of live broadcasts of online audio/video programs must also obtain the corresponding permits. The Online Live Streaming Service Regulations also require service providers to censor content before releasing it, and to establish systems that allow them to block illegal live streams immediately. The Online Live Streaming Services Regulations introduce “know your performer” procedures for streaming services providers in respect of all performers on their platforms, including through ID checks and real-name verification, as many artists use pseudonyms or stage names. Streaming services providers are also required to verify through follow-up interviews or other means all data they collect in that regard. Access to streaming services is also supposed to be restricted, which means available only with registration. Further, if chat room functions or other interactive services are offered on such sites, then streaming services providers have the added obligation of reporting any illegal content posted by their users to the relevant authorities. However, there are no guidelines as yet as to what constitutes “illegal content.”

In December 2016, the Ministry of Culture released the Administrative Measures for Online Performance Business Activities. These measures target providers of online live performance broadcasts and streaming that derive a profit from such activities through advertising, sponsorship or by charging for access. These measures came into effect on January 1, 2017, and require streaming services providers to obtain a permit from the provincial cultural affairs bureau and to display their license number in a prominent place on the website, such as on the homepage or landing page.

On March 16, 2018, the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China issued the Notice on Further Regulating the Order of Transmitting Online Audio-visual Programs. The notice prohibits all online audio/video service providers from engaging in (i) production and transmission of any unauthorized re-editing, re-dubbing or parody of other films, television programs, and online audio-visual programs, (ii) transmitting any trailers or previews of radio and television programs or audio-visual programs that have not obtained the relevant permit or completed required filing procedures. Further, any audio-visual program service provider which has not obtained the License for Online Transmission of Audio-Visual Programs may not engage in sponsorship of or any form of cooperation with any audio-visual program.

Guangzhou Qunge operates *woxiu.com*, a social video platform for users to stream performances live to viewers. For such services, Guangzhou Qunge currently holds an ICP license, a Broadcasting and Television Program Production and Management License, as well as an Online Culture Operation License, which among other things permits *woxiu.com* to provide plays, programs and performances. Guangzhou Qunge does not hold an Audio/Video Program Transmission License.

Regulations on Financing Leasing

In September 2013, the Ministry of Commerce issued the Administration Measures of Supervision on Financing Lease Enterprises, or the Leasing Measures, to regulate and administer the business operations of financing lease enterprises. According to the Leasing Measures, financing lease enterprises are allowed to carry out financing lease business in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease in accordance with the provisions of relevant laws, regulations and rules. However, the Leasing Measures prohibit financing lease enterprises from engaging in financial business such as accepting deposits, and providing loans or entrusted loans. Without the approval from relevant authorities, financing lease enterprises shall not engage in inter-bank borrowing and other businesses. In addition, financing lease enterprises are prohibited from carrying out illegal fund-raising activities in the name of financing lease. The Leasing Measures require financing lease enterprises to establish and improve their financing and internal risk control system, and a financing lease enterprise's risk assets shall not exceed ten times of its total net assets. Risk assets generally refer to the adjusted total assets of a financing lease enterprise excluding cash, bank deposits, sovereign bonds and entrusted leasing assets.

Regulations on Vehicle Leasing Programs Operating on a Sale-and-Leaseback Basis

On July 11, 2013, the Ministry of Commerce published an Announcement on Strengthening and Improving the Approval and Administration of Foreign-Funded Finance Leasing Companies, which states that no foreign-funded finance leasing company shall engage in activities such as taking deposits, offering loans or being entrusted to grant loans. Further, without approval from relevant authorities, such an enterprise shall not conduct an interbank lending business or an equity investment business. On September 18, 2013, the Ministry of Commerce issued Administrative Measures for the Supervision of Financial Leasing Enterprises which require, in part, that financial leasing enterprises have assets and risk management abilities sufficient for their proposed business activities. These measures also require that foreign investors applying for the establishment of a financial leasing enterprise must comply with relevant provisions on foreign investment. The Guidance of the General Office of the State Council on Accelerating the Development of Financing Leasing Industry, issued by the General Office of the State Council in 2015, requires the establishment of a unified administrative and regulatory system for domestic as well as foreign investment in the leasing industry. According to this guidance, foreign investment in the leasing industry is entitled to enjoy the same treatment as domestic investment in terms of business scope, trading rules, regulatory indicators, information submission and inspection.

The Stipulation on Motor Vehicle Registration issued on May 27, 2008 and amended on September 12, 2012 by the Ministry of Public Security states that the new owner of a vehicle must submit an application for registration of transfer to the local vehicle administration office within 30 days after the delivery of the vehicle. Also, under the Property Law effective as of October 1, 2007, the transfer of movable property is effective upon delivery, but if the transfer of the property right of a vehicle has not been officially registered, it will not be valid against a good faith third-party transferee. In connection with this requirement, the Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in Cases of Finance Lease Contract Disputes came into force on March 1, 2014, providing guidelines on resolving finance lease contract disputes. This interpretation states that if a lessor authorizes a lessee to mortgage a leased item (a vehicle) to the lessor and to legally complete the mortgage registration with the registration authority, this arrangement could be valid as against a title claim made by a good faith third party, even if the transfer of the property right of the vehicle has not been officially registered.

Our loans to used automobile dealerships are structured on a sale-and-leaseback basis. However, we do not update the vehicle registrations to reflect our purchase of leased vehicles nor file mortgage registrations for the leased vehicles. Consequently, we lack unambiguous legal basis to prevent a good-faith third-party buyer from taking legal title to a vehicle if the lessor attempts to sell the vehicle without our knowledge. See "Item 3.D. Risk Factors—Risks Related to Our Business and Industry—We rely on contractual obligations rather than government filings to ensure our continued title to vehicles managed under our vehicle leasing program."

Regulations on Used Automobile Trading

On August 29, 2005, the State Administration of Taxation, the State Administration for Industry and Commerce, the Ministry of Commerce and the Ministry of Public Security jointly promulgated the Measures for the Administration of the Trading of Used Automobiles, or the Used Automobile Trading Measures, which became effective on October 1, 2005 and was further revised on September 14, 2017. Pursuant to the Used Automobile Trading Measures, only an enterprise legal person duly registered with the State Administration for Industry and Commerce or its local branches may engage in used automobile trading, either as an operator of used automobiles markets, as a retailer, or as a brokerage entity.

Under the Used Automobile Trading Measures, a seller of used automobiles must verify certain background information regarding the automobiles for sale, including verification of the identity certificate of the previous owner, the number plate of the automobile, the motor vehicle registration certificate, driver's license of the previous owner, proof that the automobile has passed the security technical examination, automobile insurance, and payment certificate of relevant taxes and fees. Used automobile retailers shall also provide quality guarantees as well as after-sale services, information about which shall be clearly indicated at its business location from 2018. Furthermore, under certain circumstances, used automobiles are prohibited from being resold, including instances where an automobile has been discarded as unusable, been required to be discarded, or been obtained by illegal means, such as through theft, robbery or fraud.

On March 24, 2006, the Ministry of Commerce promulgated the Specifications for Used Automobile Trade, which provided detailed requirements as to the responsibilities of used automobiles trading entity regarding the trading of used automobiles, including the confirmation of the identity of the seller and the legitimacy of the used automobiles, signing contract for used automobile trading, establishing transaction archives and keeping records for at least three years.

Regulations on Automobile Sales

On April 5, 2017, the Ministry of Commerce promulgated the Measures on the Administrations of Sales of Automobile, or the Measures on Sales of Automobile, which came into effect on July 1, 2017 and the original Implementation Measures for the Administration of Sales of Branded Automobile, or the "Branded Automobile Sales Measures" will be abolished at the same time. According to the Measures on Sales of Automobile, the supplier and distributors of automobiles within the territory of the PRC shall build up an integrated system for automobile sales and after-sale services, guarantee supply of the related auto accessory, provide timely and effective after-sale services, and strictly follow the regulations concerning, among others, 3R (i.e. "replace, repair and refund") and recall of household automobiles to guarantee consumers' legitimate rights and interests. A dealer who sells an automobile without authorization from a supplier or an automobile which is not authorized to be sold by an automobile manufacturer outside the country shall provide a reminder and explanation to the consumer in writing and inform the consumer of the relevant responsibility in writing. When the dealer sells the car to the consumer, it shall verify the valid identity certificate of the registered consumer, sign the sales contract, and issue the sales invoice.

Regulations on Intellectual Property Rights

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Patent. The Patent Law was originally adopted in 1984. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights. We have obtained 30 patents granted by the State Intellectual Property Office.

Copyright. The Copyright Law was originally adopted in 1990. The Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Pursuant to the relevant PRC regulations, rules and interpretations, ICP operators will be jointly liable with the infringer if they (i) participate in, assist in or abet infringing activities committed by any other person through the internet, (ii) are or should be aware of the infringing activities committed by their website users through the internet, or (iii) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. The court will determine whether an internet service provider should have known of their internet users' infringing activities based on how obvious the infringing activities are by taking into consideration a number of factors, including (i) the information management capabilities that the provider should have based on the possibility that the services provided by it may trigger infringing acts, (ii) the degree of obviousness of the infringing content, (iii) whether it has taken the initiative to select, edit, modify or recommend the contents involved, (iv) whether it has taken positive and reasonable measures against infringing acts, and (v) whether it has set up convenient programs to receive notices of infringement and made timely and reasonable responses to the notices. Where an internet service provider has directly obtained economic benefits from any contents made available by an internet user, it shall have a higher duty of care with respect to the internet user's act of infringement of others' copyrights. Advertisements placed for or other benefits particularly connected with specific contents may be deemed as direct economic benefits from such contents, but general advertising fees or service fees charged by an internet service provider for its internet services will not be included. In addition, where an ICP operator is clearly aware of the infringement of certain content against another's copyright through the internet, or fails to take measures to remove relevant contents upon receipt of the copyright holder's notice, and as a result, it damages the public interest, the ICP operator could be ordered to stop the tortious act and be subject to other administrative penalties such as confiscation of illegal income and fines. An ICP operator is also required to retain all infringement notices for a minimum of six months and to record the content, display time and IP addresses or the domain names related to the infringement for a minimum of 60 days.

An internet service provider may be exempted from liabilities for providing links to infringing or illegal content or providing other internet services which are used by its users to infringe others' copyright, if it does not know and does not have constructive knowledge that such content is infringing upon other parties' rights or is illegal. However, if the legitimate owner of the content notifies the internet service provider and requests removal of the links to the infringing content, the internet service provider would be deemed to have constructive knowledge upon receipt of such notification, but would be exempted from liabilities if it removes or disconnects the links to the infringing content at the request of the legitimate owner. At the request of the alleged infringer, the internet service provider should immediately restore links to content previously disconnected upon receipt of initial non-infringing evidence.

We have adopted measures to mitigate copyright infringement risks. For example, our policy is to remove links to web pages if we know these web pages contain materials that infringe third-party rights or if we are notified by the legitimate copyright holder of the infringement with proper evidence.

Software products. In China, holders of computer software copyrights enjoy protections under the Copyright Law. Various regulations relating to the protection of software copyrights in China have promulgated, including the Copyright Law, which was originally promulgated in 1990, the Regulation for the Implementation of the Copyright Law, which originally came into effect in September 2002, and the Measures for the Registration of Computer Software Copyright, which were issued by the National Copyright Administration in 2002. Under these regulations, computer software that is independently developed and exists in a physical form is protected, and software copyright owners may license or transfer their software copyrights to others. Registration of software copyrights, exclusive licensing and transfer contracts with the Copyright Protection Center of China or its local branches is encouraged. Such registration is not mandatory under Chinese law, but can enhance the protections available to the registered copyrights holders. The Computer Software Copyright Registration Procedures, issued by the National Copyright Administration in 2002, apply to software copyright registration, license contract registration and transfer contract registration. We have registered 62 computer software copyrights in compliance with the above rules and to take advantage of the protections under them.

Trademark. The PRC Trademark Law was originally adopted in 1982. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years for registered trademarks, plus another ten years if requested upon expiration of the first or any subsequent ten-year term. Trademark license agreements must be filed with the Trademark Office for record. 开心汽车 is a registered trademark in China. We have also applied with the Trademark Office to register additional trademarks and logos.

Domain Names. In 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names. These measures regulate the registration of domain names, such as the first tier domain name “.cn.” In November 2014, the CNNIC issued the Rules of First-Tier Domain Dispute Resolution, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered domain names including *xiaonei.com*, *kaixin.com* and *chimeroi.com*. In December 2013, we entered into a Registry Agreement with ICANN, which grants us the right to use the generic top level domain name .ren.

Regulations on Anti-unfair Competition

Under the Anti-Unfair Competition Law, effective in 1993 and revised in 2017, a business operator is prohibited from carrying out acts intending to cause confusion, which would mislead others into thinking that its products belong to another party or that there is an association with another party, by:

- using without permission, a mark that is identical with or similar to product names, packaging or decoration of others with a certain degree of influence;
- using without permission, the name of an enterprise, a social organization or an individual with a certain degree of influence;
- using without permission, the main element of a domain name, website name or webpage with a certain degree of influence;
- carrying out confusing acts that are intended to mislead others into thinking that a product belongs to another party or there is an affiliation with another party.

Regulations on Foreign Exchange

Under the Foreign Currency Administration Rules, if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of SAFE or its local counterpart.

Under the Administration Rules for the Settlement, Sale and Payment of Foreign Exchange, which were promulgated in 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local counterpart. Capital investments by PRC entities outside of China, after obtaining the required approvals of the relevant approval authorities, such as the Ministry of Commerce and the National Development and Reform Commission or their local counterparts, are also required to register with SAFE or its local counterpart.

In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, also known as SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments

In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the “conversion-at-will” system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

In utilizing funds that we hold offshore, as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or consolidated affiliated entities, or (iv) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries, whether existing or newly established ones, must be approved by the Ministry of Commerce or its local counterparts;
- loans by us to our PRC subsidiaries, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches; and
- loans by us to our consolidated affiliated entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with SAFE or its local branches.

Regulations on Dividend Distribution

Wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, these wholly foreign-owned enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. At the discretion of these wholly foreign-owned enterprises, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

As of December 31, 2018, the registered capital of our wholly foreign-owned subsidiary Shanghai Renren Automobile Technology Group Co., Ltd., or Renren Automobile, was RMB50.0 million, which has not been paid in. Renren Automobile has not made any profits to date, and thus is not subject to the statutory reserve fund requirement. Renren Automobile has not and will not be able to pay dividends to our offshore entities until it generates accumulated profits and meets the requirements for statutory reserve funds. As of December 31, 2018, Renren Automobile had an accumulated deficit of approximately US\$339.1 million in accordance with PRC accounting standards and regulations.

As of December 31, 2018, the registered capital of our wholly foreign-owned subsidiary Qianxiang Shiji was US\$180.0 million, with paid-in capital of US\$175.0 million. Qianxiang Shiji has not made any profits to date, and thus is not subject to the statutory reserve fund requirement. Qianxiang Shiji has not and will not be able to pay dividends to our offshore entities until it generates accumulated profits and meets the requirements for statutory reserve funds. As of December 31, 2018, our PRC subsidiary Qianxiang Shiji had an accumulated deficit of approximately US\$39.9 million in accordance with PRC accounting standards and regulations.

Regulations on Offshore Investment by PRC Residents

In July 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or SAFE Circular 37, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular 75, promulgated by SAFE in 2005.

SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is 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 an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete 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 subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have made due inquiries with the competent local branch of SAFE regarding the applicability of the above foreign exchange registration requirements to our founder and our PRC resident shareholders.

Regulations on Employee Stock Options Plans

In 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of an overseas publicly listed company and it was further amended on May 29, 2016. In 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice, which simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks.

Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file on behalf of such resident an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises, as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including example any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules, as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. However, the implementing rules in respect of depositing the foreign exchange proceeds abroad have not been issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

In addition, the State Administration of Taxation has issued circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and withhold the individual income taxes of employees who exercise their share options.

Labor Laws and Social Insurance

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations. To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits.

Regulations on Concentration in Merger and Acquisition Transactions

In August 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which were amended in 2009. The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council in 2008 are triggered.

C. Organizational Structure

The following diagram illustrates our principal subsidiaries and consolidated affiliated entities as of the date of this annual report:

- (2) Shanghai Jieying is 99.83% owned by Mr. Thomas Jintao Ren, our chief finance officer, and 0.17% owned by Ms. Rita Rui Yi, our Senior Vice President. We effectively control Shanghai Jieying as well as its subsidiaries through contractual arrangements. See “Item 4.C Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities” for more information.
- (3) Qianxiang Changda is also 99% owned by Ms. Jing Yang and 1% owned by Mr. James Jian Liu. We effectively control Qianxiang Changda as well as its subsidiaries through contractual arrangements. See “Item 4.C Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities” for more information.

Contractual Arrangements with Our Consolidated Affiliated Entities

Applicable PRC laws and regulations currently restrict foreign ownership of companies that provide value-added telecommunications services in China. In addition to this restriction, there currently exist other regulatory restrictions on foreign investments into a variety of industries in China into which we had invested through the holding of minority ownership of certain domestic companies.

To comply with these foreign ownership restrictions, our wholly owned subsidiary Qianxiang Shiji Technology Development (Beijing) Co., Ltd, or Qianxiang Shiji, has entered into series of contractual arrangements with Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, and its shareholders; our wholly owned subsidiary Shanghai Renren Automobile Technology Group Co., Ltd., or Renren Automobile, has entered into series of contractual arrangements with Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd., or Shanghai Changda, as well as with Shanghai Jieying Automobile Sales Co., Ltd, or Shanghai Jieying, and their respective shareholders. These agreements enable us to:

- exercise effective control over Qianxiang Tiancheng, Qianxiang Changda, Shanghai Jieying and their respective subsidiaries through powers of attorney and business operations agreements;
- receive substantially all of the economic benefits of Qianxiang Tiancheng, Qianxiang Changda, Shanghai Jieying and their respective subsidiaries in the form of service and license fees in consideration for the technical services provided, and the intellectual property rights licensed, by Qianxiang Shiji and Renren Automobile; and
- have an exclusive option to purchase all of the equity interests in Qianxiang Tiancheng, Qianxiang Changda and Shanghai Jieying when and to the extent permitted under PRC laws, regulations and legal procedures.

We have been, and are expected to continue to be, dependent on our contractual arrangements with Qianxiang Tiancheng, Qianxiang Changda, Shanghai Jieying and their respective shareholders to operate substantially all of our business in China as long as PRC law does not allow us to directly operate such business in China. We rely on our consolidated affiliated entities, namely Qianxiang Tiancheng, Qianxiang Changda, Shanghai Jieying and their respective subsidiaries, to maintain or renew their respective qualifications, licenses or permits necessary for our business in China. We believe that under our contractual arrangements, we have substantial control over our consolidated affiliated entities and their respective shareholders to renew, revise or enter into new contractual arrangements prior to the expiration of the current arrangements on terms that would enable us to continue to operate our business in China after the expiration of the current arrangements, or pursuant to certain amendments and changes of the current applicable PRC laws, regulations and rules on terms that would enable us to continue to operate our business in China legally. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see “Item 4.B—Business Overview—Regulation.” For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see “Item 3.D—Key Information—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business.”

The business operation of Qianxiang Shiji is within the approved business scope as set forth in its business license, which includes research and development of computer software, communication software and system integration; sale of self-produced products; provision of after-sale technical consulting and services.

Qianxiang Tiancheng is a limited liability companies established in China. Its approved business scope includes the provision of internet information, internet advertising and advertising agency services, and it holds an internet content provision license, or ICP license. Qianxiang Tiancheng is 99% owned by Ms. Jing Yang, who is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer, and 1% owned by Mr. James Jian Liu, our executive director and chief operating officer. Both Ms. Yang and Mr. Liu are PRC citizens.

Qianxiang Shiji has also entered into a series of contractual arrangements with Guangzhou Xiuxuan Brokers Co., Ltd., or Guangzhou Xiuxuan, and its shareholders similar to the arrangements mentioned above. Guangzhou Xiuxuan has not carried out any significant business activities to date.

The business operation of Renren Automobile is within the approved business scope as set forth in its business license, which includes development of automobile technology, computer software, internet communication technology. Qianxiang Changda is a limited liability company and the operator and holding entity for our financing businesses. Shanghai Jieying is a limited liability company and the operator and holding entity for our used automobile dealership businesses.

The following is a summary of the currently effective contracts between our subsidiary Qianxiang Shiji, our consolidated affiliated entity Qianxiang Tiancheng, and the shareholders of Qianxiang Tiancheng. All the contracts in the other contractual arrangements described above are in their contents substantially the same as those contracts described below. These contracts provide us with the power to direct the activities that most significantly affect the economic performance of our consolidated affiliated entities and enable us to receive substantially all the economic benefits from them.

Business Operations Agreements. Pursuant to a business operations agreement between Qianxiang Shiji, Qianxiang Tiancheng and its shareholders, Qianxiang Tiancheng shall appoint the candidates designated by Qianxiang Shiji as the executive director or directors, general manager, chief financial officer and any other senior officers of Qianxiang Tiancheng. Qianxiang Tiancheng agrees to follow the proposal provided by Qianxiang Shiji from time to time relating to employment, daily operation and financial management. Without Qianxiang Shiji's prior written consent, Qianxiang Tiancheng shall not conduct any transaction that may materially affect its assets, obligations, rights or operations, including but not limited to, (i) incurrence or assumption of any indebtedness, (ii) sale or purchase of any assets or rights, (iii) incurrence of any encumbrance on any of its assets or intellectual property rights in favor of a third party, or (iv) transfer of any rights or obligations under this agreement to a third party. The term of this agreement is ten years and will be extended automatically for another ten years unless Qianxiang Shiji provides a written notice requesting not to extend the term three months prior to the expiration date, which is December 22, 2020. Qianxiang Shiji may terminate the agreement at any time by providing a 30-day advance written notice to Qianxiang Tiancheng and to each of its shareholders. Neither Qianxiang Tiancheng nor any of its shareholders may terminate this agreement during the term or the extension of the term, if applicable.

Powers of Attorney. Pursuant to powers of attorney, the shareholders of Qianxiang Tiancheng each irrevocably appointed our executive director and chief operating officer, Mr. James Jian Liu (the person designated by Qianxiang Shiji) as their attorney-in-fact to vote on their behalf on all matters of Qianxiang Tiancheng that requires shareholder approval under PRC laws and regulations as well as Qianxiang Tiancheng's articles of association. The appointment of Mr. Liu is conditional upon his being the employee and the designated person of Qianxiang Shiji. Each power of attorney will remain in effect from December 23, 2010 to December 22, 2020, unless and until the earlier of the following events: (i) Mr. Liu loses his position in Qianxiang Shiji or Qianxiang Shiji issues a written notice to dismiss or replace Mr. Liu; and (ii) the business operations agreement between Qianxiang Shiji, Qianxiang Tiancheng and its shareholders terminates or expires.

Spousal Consent Letters. Pursuant to spousal consent letters, the spouse of each of the shareholders of Qianxiang Tiancheng acknowledged that certain equity interests of Qianxiang Tiancheng held by and registered in the name of his/her spouse will be disposed of pursuant to the equity option agreements. These spouses understand that such equity interests are held by their respective spouse on behalf of Qianxiang Shiji, and they will not take any action to interfere with the disposition of such equity interests, including, without limitation, claiming that such equity interests constitute communal property of marriage.

Equity Option Agreements. Pursuant to equity option agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, Qianxiang Tiancheng's shareholders granted Qianxiang Shiji or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of their equity interests in Qianxiang Tiancheng in consideration of the loans extended to Qianxiang Tiancheng's shareholders under the loan agreements mentioned below. In addition, Qianxiang Shiji has the option to acquire the equity interests of Qianxiang Tiancheng at the lowest price then permitted by PRC law in consideration of the cancellation of all or part of the loans extended to the shareholders of Qianxiang Tiancheng under the loan agreements. Qianxiang Shiji or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Qianxiang Shiji or its designated representative(s) is entitled to exercise the options for unlimited times until all of the equity interests of Qianxiang Tiancheng have been acquired, and can be freely transferred, in whole or in part, to any third party. Without Qianxiang Shiji's consent, Qianxiang Tiancheng's shareholders shall not transfer, donate, pledge, or otherwise dispose their equity shareholdings in Qianxiang Tiancheng in any way. The equity option agreement will remain in full force and effect until the earlier of: (i) the date on which all of the equity interests in Qianxiang Tiancheng have been acquired by Qianxiang Shiji or its designated representative(s); or (ii) the receipt of the 30-day advance written termination notice issued by Qianxiang Shiji to the shareholders of Qianxiang Tiancheng. The key factors for our decision to exercise the option are whether the current regulatory restrictions on foreign investment in the internet business and advertising business will be relaxed in the future, which is rather unpredictable at the moment. If such restrictions are relaxed, we will, through Qianxiang Shiji, exercise the option and purchase all or part of the equity interests in Qianxiang Tiancheng.

Exclusive Technical Service Agreements. Pursuant to an exclusive technical service agreement between Qianxiang Shiji and Qianxiang Tiancheng, Qianxiang Shiji has the exclusive right to provide certain technical services, including maintenance of servers, development, updating and upgrading of web user application software, e-commerce technical services, to Qianxiang Tiancheng. Without Qianxiang Shiji's prior written consent, Qianxiang Tiancheng shall not engage any third party to provide any of the technical services under this agreement. In addition, Qianxiang Shiji exclusively owns all intellectual property rights resulting from the performance of this agreement. Qianxiang Tiancheng agrees to pay a service fee to Qianxiang Shiji at a specific fee rate proposed by Qianxiang Shiji. Qianxiang Shiji shall have the right to adjust at any time the fee rate based on the quantity, difficulty and urgency of the services it provides to Qianxiang Tiancheng and other factors. The term of this agreement is ten years and will be extended automatically for another ten years unless terminated by Qianxiang Shiji's written notice three months prior to the expiration of the term, which is December 22, 2020. Qianxiang Shiji can terminate the agreement at any time by providing a 30-day prior written notice. Qianxiang Tiancheng is not permitted to terminate this agreement prior to the expiration of the term, unless Qianxiang Shiji fails to comply with any of its obligations under this agreement and such breach makes Qianxiang Shiji unable to continue to perform this agreement.

Intellectual Property Right License Agreements. Pursuant to an intellectual property right license agreement between Qianxiang Shiji and Qianxiang Tiancheng, Qianxiang Shiji grants a non-exclusive and non-transferable license, without sublicense rights, to Qianxiang Tiancheng to use certain of the domain names, registered trademarks and non-patent technology (software) owned by Qianxiang Shiji. Qianxiang Tiancheng may only use the intellectual property rights in its own business operations. The amount, payment method and classification of the license fees under this agreement shall be determined based on the precondition that they facilitate Qianxiang Shiji's securing of all preferential treatments under the PRC tax policies and shall be agreed by both Qianxiang Shiji and Qianxiang Tiancheng considering, among others, the following factors: (i) the number of users purchasing Qianxiang Tiancheng's products or receiving Qianxiang Tiancheng's services; and (ii) the types and quantity of the intellectual property rights, which are specified under this agreement, actually used by Qianxiang Tiancheng for selling products or providing services to its users. On December 1, 2015, Qianxiang Shiji and Qianxiang Tiancheng entered into a supplementary agreement to extend the terms of this agreement for ten years, pursuant to which the current term expires on December 1, 2025. Qianxiang Shiji may terminate this agreement at any time by providing a 30-day prior written notice. Any party may terminate this agreement immediately with written notice to the other party if the other party materially breaches the relevant agreement and fails to cure its breach within 30 days from the date it receives the written notice specifying its breach from the non-breaching party. The parties will review this agreement every three months and determine if any amendment is needed.

Equity Interest Pledge Agreements. Pursuant to equity interest pledge agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, the shareholders of Qianxiang Tiancheng pledge all of their equity interests in Qianxiang Tiancheng to Qianxiang Shiji, to guarantee Qianxiang Tiancheng and its shareholders' performance of their obligations under, where applicable, (i) the loan agreements, (ii) the exclusive technical service agreement, (iii) the intellectual property right license agreement and (iv) the equity option agreements. If Qianxiang Tiancheng and/or any of its shareholders breach their contractual obligations under the aforesaid agreements, Qianxiang Shiji, as the pledgee, will be entitled to certain rights and entitlements, including the priority in receiving payments by the evaluation or proceeds from the auction or sale of whole or part of the pledged equity interests of Qianxiang Tiancheng in accordance with legal procedures. Without Qianxiang Shiji's prior written consent, shareholders of Qianxiang Tiancheng shall not transfer or assign the pledged equity interests, or incur or allow any encumbrance that would jeopardize Qianxiang Shiji's interests. During the term of this agreement, Qianxiang Shiji is entitled to collect all of the dividends or other distributions, if any, derived from the pledged equity interests. The equity interest pledge has become effective and will expire on the earlier of: (i) the date on which Qianxiang Tiancheng and its shareholders have fully performed their obligations under the loan agreements, the exclusive technical service agreement, the intellectual property right license agreement and the equity option agreements; (ii) the enforcement of the pledge by Qianxiang Shiji pursuant to the terms and conditions under this agreement to fully satisfy its rights under such agreements; or (iii) the completion of the transfer of all equity interests of Qianxiang Tiancheng by the shareholders of Qianxiang Tiancheng to another individual or legal entity designated by Qianxiang Shiji pursuant to the equity option agreement and no equity interest of Qianxiang Tiancheng is held by such shareholders. The equity interest pledge agreements have been registered with the relevant authorities.

Loan Agreements. Under loan agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, Qianxiang Shiji made interest-free loans in an aggregate amount of RMB 10.0 million (US\$1.5 million) to the shareholders of Qianxiang Tiancheng exclusively for the purpose of the initial capitalization and the subsequent financial needs of Qianxiang Tiancheng. The loans can only be repaid with the proceeds derived from the sale of all of the equity interests in Qianxiang Tiancheng to Qianxiang Shiji or its designated representatives pursuant to the equity option agreements. The term of the loans is ten years from the actual drawing down of such loans by the shareholders of Qianxiang Tiancheng, and will be automatically extended for another ten years unless a written notice to the contrary is given by Qianxiang Shiji to the shareholders of Qianxiang Tiancheng three months prior to the expiration of the loan agreements.

D. Property, Plants and Equipment

Our principal executive offices are located at 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, People's Republic of China, where we lease approximately 6,739 square meters of office space as of March 31, 2019. We also lease approximately an additional 34,976 square meters of office space in 32 other cities across China, primarily for our sales and marketing team servicing our used automobile dealership customers but also including storefront space for used automotive sales and after-sale stores, office space for the majority of our research and development team in Beijing and the majority of our credit control team in Shanghai. We lease our premises from unrelated third parties under non-cancelable operating lease agreements. Approximately a third of our leases outside of Beijing are due to expire during 2019, while the lease of our principal executive offices is due to expire in November 2020.

Some of the lessors of our leased premises in China do not have valid title to such premises or proper authorization from the title owner to sublease such premises. For further details, see "Item 3.D. Risk Factors—Risks Related to Our Business and Industry—The leasehold interests of some of our consolidated affiliated entities might not be fully protected by the terms of the relevant lease agreements due to defects in or the landlord's failure to provide certain title documents with respect to some of our leased properties."

We also lease 1,415 square meters of office space in the United States and approximately 350 square meters of office space in the Philippines for our SaaS business team.

Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have terms of one year. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Item 4A. Unresolved Staff Comments

Not applicable.

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 the consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3.D. Risk Factors" and elsewhere in this annual report on Form 20-F.

A. Operating Results

Overview

Renren operates a used automobile business and several SaaS businesses. Currently, our primary services are:

- *Used Automotive Sales*, which includes the sales of used automobiles and related products and the provision of related services. Associated with the sales of used automobiles, we provide related services by arranging financing options for customers through our financial services partners;
- *Financing*, which includes used automobile financing, our business where we provide credit financing to used automobile dealers. We have ceased granting new loans for the used car financing since January 2018, but continue to service the outstanding loans until maturity; and
- *Software as a Solution (SAAS)*, which includes all-in-one real estate solution provider, Chime, and a 360° real estate marketing and media service provider, Geographic Farming.

The majority of our revenues are generated by our used automobile business, which includes both used automotive sales revenues and financing revenues. Because our SaaS businesses do not generate significant revenue yet, we include our SaaS revenues together with our IVAS and others revenues in our financial statements.

We had two reportable segments as of December 31, 2018, our Renren segment and our auto group segment. Before we disposed of our Renren SNS business in December 2018, our Renren segment offered social networking services and other internet value added services. Our auto group segment sells used automobiles and related products, arranges financing options for customers through our financial services partners and provides credit financing to used automobile dealerships.

Our business model has been evolving continuously in response to changes in internet culture and competitive pressures in China. At the time of our initial public offering in May 2011, we were primarily a social networking service platform, and we had a number of ancillary businesses that were intended to monetize that platform. We gradually disposed of most of those ancillary businesses in the years that followed our initial public offering. We disposed of Nuomi, our group-buy e-commerce business, in two stages in October 2013 and February 2014. We disposed of *56.com*, our on-line video business, in December 2014. We disposed of our online games business in March 2016. We eventually disposed of our social networking service platform entirely in December 2018, but we continue to generate IVAS revenues through live-streaming services.

Our used automobile business and SaaS businesses are more recent in origin. Our used automobile business has two components which evolved separately: financing and used automotive sales. We launched our financing business in the fourth quarter of 2014 as an internet finance business offering installment purchase plans to college students, and it has since evolved into our current business of providing credit financing to used automobile dealers in China. We launched our used automotive sales business in June 2017, in part to take advantage of synergies with our rapidly growing financing business. Our SaaS businesses began with our launch of Chime in August 2016 and it was further expanded by our acquisition of Geographic Farming, LLC, in August 2017. Unlike our other businesses, our SaaS businesses are currently focused on the U.S. market rather than the China market.

As our business model was transitioning, we made a series of long-term investments in privately held companies that we believed would offer us synergies or access to resources and know-how. The majority of these investments by value was concentrated in the fields of internet finance, social finance, and real estate investment and management, and the number and aggregate size of these investments was significant. As of December 31, 2017, we had US\$565.4 million of long-term investments, including US\$318.8 million in equity method investments, US\$144.8 million in cost method investments, and US\$101.8 million in available-for-sale investments. However, due to the risk of being deemed to be an investment company, we disposed of most of these investments together with our ZenZone advertising agency business in June 2018. See “Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction.”

Our total net revenues have been increasing over the last three years, as our losses from continuing operations have fluctuated. Our total net revenues increased from US\$47.5 million in 2016 to US\$174.6 million in 2017 and US\$498.2 million in 2018, and losses from continuing operations fluctuated from US\$63.1 million in 2016 to income from continuing operation of US\$8.7 million in 2017 and losses from continuing operation of US\$158.8 million in 2018.

The major factors affecting our results of operations and financial condition are discussed below.

Net Revenues

We derive all of our revenues from used automobile sales, financing income, and IVAS and others. We recognize our revenues net of business taxes or value added tax, as applicable.

The following table sets forth the principal components of our net revenues, both as absolute amounts and as percentages of our total net revenues from our continuing operations, for the periods presented.

	Years ended December 31,					
	2016		2017		2018	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Net revenues:						
Used automobile sales	\$ —	—	\$ 121,084	69.3	\$ 467,232	93.8
IVAS and others	18,164	38.3	24,271	13.9	28,510	5.7
Financing income	29,317	61.7	29,269	16.8	2,456	0.5
Total net revenues	\$ 47,481	100.0	\$ 174,624	100.0	\$ 498,198	100.0

Used automobile sales

Our revenues from used automobile sales consist primarily of revenues generated from the sale of used automobiles to customers made through our dealerships, as well as revenues from arranging financing options for customers through our financial services partners and to a much lesser extent fees we collect for referrals for insurance products.

The most significant factors that directly or indirectly affect our revenues from used automobile sales include:

- *Demand.* The demand for used automobiles in China, and particularly for premium ones, drives the growth in the size of the market that our used automobile sales business addresses. According to the China Automobile Dealers Association, sales of used automobiles in China totaled approximately 10.4 million units in 2016, 12.4 million units in 2017 and 13.8 million units in 2018.
- *Relationship with dealerships.* We rely on our dealerships to conduct significant aspects of our used automobile sales business. We have 14 dealerships across China, all of which are operated by Kaixin. Our dealerships and their employees directly interact with consumers, other dealerships and other platform participants, and their performance directly impacts our results of operations and financial condition.
- *Customer engagement and branding.* We engage car buyers primarily through our network of dealerships, our websites and mobile apps, and advertising on third-party platforms. Our ability to expand the customer base for our used automobile sales business depends on the number and performance of our dealerships as well as our ability to strengthen our Kaixin brand through word of mouth and advertising.
- *Service offerings and pricing.* We provide a variety of services to meet the needs of our customers. Each of our service offerings may have different revenue sources, cost structures and customer bases and may face different market conditions and pricing pressures. Therefore, the ability to adjust our service offerings and pricing to adapt to changing market conditions may impact our results of operations.
- *Technology.* The continued enhancement of our technology platforms and integration of technology into our used automobile sales business is important to our future success.
- *Strategic expansion and acquisitions.* We intend to continue to expand our network of dealerships to cover substantially all of China. We may also selectively pursue acquisitions, investments, joint ventures and partnerships that we believe are strategic and complementary to our used automobile sales business.

IVAS and others

Our revenues from IVAS and others consist primarily of live streaming revenue from Woxiu. Others includes revenues from our SaaS businesses and service revenue from Kaixin, including agency fees in connection with arrangements with third party dealers whereby we facilitate sales of their cars and commissions we receive from insurance companies and banks for the facilitation services we provide to help our customers obtain insurance and financing for their automobile purchases. Online advertising was important to our company historically but generated an insignificant amount of revenue in 2017 and 2018, and we have no expectation that it will constitute a significant part of our business for the foreseeable future.

IVAS. Our IVAS revenues include virtual items and other paid applications on *woxiu.com*. Revenues generated from applications developed by third parties are subject to revenue-sharing agreements with the third-party developers.

Others. Other revenues consist of fees paid to insurance companies for facilitation services provided for assisting customers to obtain related financing and insurance for their car purchases.

As our IVAS business is comprised of several business models, and each business model has its own revenue sources, quantitative price analysis for our IVAS business as a whole is not practical or meaningful. Consequently, we are generally not able to use conventional average sale price analysis in evaluating the financial performance of our IVAS businesses.

The most significant factors that directly or indirectly affect our IVAS revenues include the following:

- our ability to maintain and improve revenue-sharing arrangements with third-party application developers;
- our ability to continue to offer new features on our mobile live-streaming and Woxiu that are attractive to users.

Financing income

We generate financing income revenues primarily from credit we extend to our affiliated network dealerships. Credit that we extend to our own dealerships is treated as intracompany loans and the payments from the borrowers are consolidated in our financial statements. We extended credit in an aggregate of RMB4,832.6 million, RMB4,390.0 million and RMB2.6 million (US\$0.4 million) to used automobile dealers (outside of our own dealership network) in 2016, 2017 and 2018, respectively. The rate at which we charge upfront fees and interest to used automobile dealerships ranges from about 10.1% to about 18.0%.

We previously made loans through Renren Fenqi, an online platform which provided credit financing to college students in China on an installment payment basis for the purchase of consumer goods. In the second quarter of 2016, we stopped making loans through this platform, and we collected the last of the remaining installment payments in the second quarter of 2018.

For a detailed discussion of how revenues from financing are recognized in our financial statements, see “—Critical Accounting Policies—Revenue Recognition.”

The most significant factor that affects our financing income revenues is the extent to which we choose to extend credit to our own dealerships rather than to affiliated network dealerships. Otherwise, since our used automobile financing business accounts for the majority of our financing income, the most significant factors that directly or indirectly affect our financing income revenues are similar to those that affect our revenues from used automobile sales.

Cost of Revenues

The following table sets forth the principal components of our cost of revenues, both as absolute amounts and as percentages of our total net revenues from our continuing operations, for the periods presented.

	Years ended December 31,					
	2016		2017		2018	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Cost of revenues:						
Used automobile sales	\$ —	—	\$ 116,385	66.6%	\$ 449,805	90.3%
IVAS and others	14,869	31.3%	17,954	10.3%	12,642	2.5%
Financing income	25,708	54.2%	28,975	16.6%	14,021	2.8%
Total cost of revenues	\$ 40,577	85.5%	\$ 163,314	93.5%	\$ 476,468	95.6%

Used automobile sales

For used automobile sales, our cost of revenues consists primarily of the cost of acquiring vehicles for sale, as well as costs for inspection and reconditioning.

IVAS and others

Cost of revenues for IVAS and others consists primarily of commissions that were paid to mobile live streaming performers and Woxiu performers. Such commissions were calculated as a percentage of the revenues we generate from the sales of virtual items that fans of the performers have purchased.

Other expenses include salaries and benefits for employees whose services are directly related to the generation of revenues, fees we pay to telecommunications carriers and other service providers for telecommunications services and for hosting our servers at their internet data centers, depreciation expenses for the depreciation of servers and other equipment that are directly related to our business operations and technical support in our cost of revenues, and fees we pay to license content from copyright owners or content distributors.

Financing income

Cost of revenues for financing income consists primarily of financing costs and provision for financing receivable.

Financing costs. Financing costs primarily consist of interest expenses. Funds for our financing business were provided in the past by our issuance of asset-backed securities collateralized by that credit financing and by peer-to-peer platforms. Our cost of funding is related to prevailing interest rates in China and other factors that affect the availability of credit, though the relationship is indirect because we rely on unconventional sources of funding.

Provision for financing receivable. The provision for financing receivable is accrued when we believe that the future collection of principal is unlikely. We consider the credit worthiness of the customers, aging of the outstanding receivable and other specific circumstances related to the receivable when determining the allowance for receivable losses. In the aggregate, these costs are related to our ability to maintain and improve our credit risk control system. We are not a financial institution and we do not have a long history of designing and operating credit risk control systems. Provision for financing receivable accounted for a significant proportion of the cost of revenues of our financing business, comparable to our financing costs in 2016 and 2017.

Other expenses. Other expenses of our financing business include salaries and benefits for employees, bandwidth and co-location costs we pay to telecommunications carriers for hosting of servers, and rental expense and depreciation and amortization for servers and equipment, in each case as they are directly related to our financing business.

Operating Expenses

Our operating expenses consist of selling and marketing expenses, research and development expenses, and general and administrative expenses. The following table sets forth our operating expenses for continuing operations, both as absolute amounts and as percentages of our total net revenues, for the periods indicated.

Years ended December 31,

	2016		2017		2018	
	(in thousands of US\$, except for percentages)					
	US\$	%	US\$	%	US\$	%
Operating expenses(income):						
Selling and marketing	\$ 13,932	29.3%	\$ 20,070	11.5%	\$ 34,562	6.9%
Research and development	7,542	15.9%	17,435	10.0%	26,349	5.3%
General and administrative	39,406	83.0%	51,494	29.5%	71,094	14.3%
Impairment of goodwill	—	—	—	—	29,055	5.8%
Gain on disposal of property and equipment	—	—	—	—	(25,928)	5.2%
Total operating expenses	\$ 60,880	128.2%	\$ 88,999	51.0%	\$ 135,132	27.1%

Our selling and marketing expenses, research and development expenses and general and administrative expenses include share-based compensation charges. See “—Critical Accounting Policies—Share-Based Compensation” for more information.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel and advertising and promotion expenses. Our selling and marketing expenses may increase in the near term if we increase our promotion expenses for our Renren brand and Kaixin brand, our live streaming service and our used automobile business.

Research and development expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel. Our research and development expenses may increase in the near term on an absolute basis as we intend to hire additional research and development personnel to develop new features for our various services and further improve our technology infrastructure.

General and administrative expenses

General and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel and fees and expenses for third-party professional services. Our general and administrative expenses may increase in the future on an absolute basis as our used automobile business grows.

Taxation

Cayman Islands

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

PRC

Prior to the adoption of the value-added tax, all entities and individuals that engage in the provision of services, the transfer of intangible assets or the sale of real properties within the PRC were required to pay PRC business tax. We were subject to a 5.6% to 8.6% business tax on gross revenue generated from IVAS, online advertising and social commerce services, plus related surcharges, up through April 2016. As of December 31, 2017, all of our subsidiaries and consolidated affiliated entities in the PRC have been required by the local tax authorities to pay value-added tax at a rate of 2.18% to 18.7% on certain service revenues which were previously subject to business tax.

The Enterprise Income Tax Law applies a uniform enterprise income tax rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualifying entities. Dividends, interests, rent or royalties paid by a PRC entity to foreign non-resident enterprise investors, and proceeds from the disposition of assets by such foreign enterprise investors, will generally be subject to a 10% withholding tax.

Under the Enterprise Income Tax Law, an enterprise established outside of the PRC with “de facto management bodies” located within the PRC is considered a PRC resident enterprise and therefore will be subject to a 25% PRC enterprise income tax on its global income. The implementation rules define “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” In addition, SAT Circular 82 treats a Chinese-controlled enterprise established outside of China as a PRC resident enterprise with “de facto management bodies” located in the PRC for tax purposes where all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily production or business operations are located in the PRC; (ii) its financial and human resource decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) more than half of the enterprise’s board members with voting rights or senior management habitually reside in the PRC. In addition, the State Administration of Taxation issued a bulletin effective September 1, 2011 to provide more guidance on the implementation of the above circular. The bulletin made clarification in the areas of resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin 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 residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises under the Enterprise Income Tax Law. If we were considered a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income for the period after January 1, 2008. Given that Circular 82 was issued regarding overseas enterprises controlled by PRC enterprises (not those controlled by PRC individuals), it is not strictly applicable to us. As of December 31, 2017, we had not accrued reserves for PRC tax on such basis.

Discontinued Operations

In November 2015, our board of directors approved the disposition of our online games business as part of our change in strategic direction to focus more on our internet finance business. We disposed of our entire online games business in March 2016. As a result, our financial statements now reflect the deconsolidation of Nuomi’s, Guangzhou Qianjun Internet Technology Co., Ltd.’s and our online games business’s operating results. Retrospective adjustments to the historical statement of operations have also been made to provide a consistent basis of comparison for the financial results. Specifically, Nuomi’s, Guangzhou Qianjun Internet Technology Co., Ltd.’s and our online games business’s operational results have been excluded from our financial results from continuing operations and have been separately reclassified to discontinued operations.

In June 2018, we disposed of Oak Pacific Investment in the OPI Transaction. Oak Pacific Investment held one active business, our ZenZone advertising agency business, as well as shares in 44 portfolio companies and interests in 6 investment funds. These portfolio companies and investment funds had an aggregate book value of US\$530.6 million as of December 31, 2017, and represented the overwhelming majority of our long-term investments in terms of both book value and fair market value. As a result, our financial statements now reflect the deconsolidation of Oak Pacific Investment. Retrospective adjustments to the historical statement of operations have also been made to provide a consistent basis of comparison for the financial results of the continuing operations. Specifically, US\$110.8 million operational results have been excluded from our financial results from continuing operations and have been separately reclassified to discontinued operations.

In December 2018, we disposed of all tangible and intangible assets in our SNS platform and the related business, including Renren mobile live streaming. As a result, our financial statements now reflect the deconsolidation of our SNS business. Retrospective adjustments to the historical statement of operations have also been made to provide a consistent basis of comparison for the financial results. Specifically, US\$8.4 million operational results have been excluded from our financial results from continuing operations and have been separately reclassified to discontinued operations.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and net revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition

We recognize revenue when control of the good or service has been transferred to the customer, generally either at the time of sale or upon delivery to a customer. The contracts have a fixed contract price and revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. We collect value added tax and other taxes from customers on behalf of governmental authorities at the time of sale. These taxes are accounted for on a net basis and are not included in net sales and operating revenues or cost of sales. We generally expense sales commissions when incurred because the amortization period would have been less than one year. These costs are recorded within selling expenses. We do not have any significant financing payment terms as payment is received at or shortly after the point of sale.

We adopted Accounting Standards Codification or ASC 606, Revenue from Contracts with Customers on January 1, 2018 using the modified retrospective method. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Based on the manner in which the Company historically recognized revenue, the adoption of ASC 606 did not have a material impact on the amount or timing of its revenue recognition and the Company recorded no cumulative effect adjustment upon adoption. Additionally, the Company concluded that revenue generated from internet finance services is excluded from the scope of the new revenue standard as it represents revenue within the scope of ASC 310, Receivables, which is explicitly excluded from the scope of ASC 606.

Our revenues include revenue from our used car sales, revenue from IVAS and others, and revenue related to our finance services.

Automobile sales

We purchase automobiles from unrelated individuals, third party dealerships or manufacturers and suppliers and sell them directly to our customers through our local dealerships. The prices of used vehicles are set forth in the customer contracts which are agreed prior to delivery. We satisfy its performance obligation for used vehicle sales upon delivery when the transfer of title, risks and awards of ownership and control pass to the owner. We recognize revenue at the agreed upon purchase price stated in the contract, including any delivery charges. When cash is received from customers prior to delivery of the vehicle, we record such cash as advance from customers in its consolidated balance sheet, which is immaterial as of December 31, 2018.

IVAS and others

Our IVAS revenues mainly include live streaming revenue. We design, create and offer various virtual items for sale to users at pre-determined stand-alone selling prices. Revenue related to each of the consumable virtual items as a single performance obligation provided on a consumption basis is recognized at the point in time when the virtual item is transferred directly to the users and consumed by them.

Our other revenues mainly include revenue generated from agency fees in connection with arrangement with third party dealers whereby we facilitate sales of their cars. We do not control the ownership of the automobiles, but rather act as an agent for the third party dealers. Revenue is recognized for the net amount of commission we are entitled to retain in exchange for the agency service.

Other revenues also includes commissions we receive from insurance companies and banks for the facilitation services we provide to assist customers obtaining related insurance and financing for their automobile purchases.

Financing services

We provide short-term financing services to used car dealers to fund the car dealers' cash needs for used car purchasing. The financing period is no more than six months and is secured by a pledge of the dealers' used car with total value exceeding the principal of the financing. We charge an upfront service fee as well as financing income on a monthly basis. We record financing income and service fees related to those services over the life of the underlying financing using the effective interest method on the unpaid principal amounts. The service fees collected upfront, netting the direct origination costs of the financing, are deferred and recognized as financing income as an adjustment to the yield on a straight line basis over the life of the used car financing. Revenue related to used car financing services amounted to \$17.9 million, \$25.4 million and \$2.3 million during the years ended December 31, 2016, 2017 and 2018. The remaining financing income in the respective periods related to crediting financing provided to college students as well as apartment rental financing, both of which were terminated during the year ended December 31, 2016 as discussed in the preceding paragraph.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The balance of accounts receivable, net of allowance for doubtful accounts, was US\$2.7 million and US\$2.6 million as of December 31, 2017 and 2018, respectively. There were no contract assets recorded as of December 31, 2017 and 2018.

Deferred revenue mainly consists of payments received from customers related to unsatisfied performance obligations for our IVAS business at the end of the period. Advance from customers represents cash received from customers prior to delivery of the vehicle, which was included in accrued expenses and other current liabilities in our consolidated balance sheets. As of December 31, 2017, our total deferred revenue was US\$11.4 million, of which US\$11.2 million was recognized as revenue for the year ended December 31, 2018. Our total unearned revenue was US\$3.7 million as of December 31, 2018.

We applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include certain commissions paid to intermediaries of automobile sales. We have no material incremental costs of obtaining contracts with customers that we expect the benefit of those costs to be longer than one year which need to be recognized as assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations.

Goodwill is not amortized, but tested for impairment upon first adoption and annually, or more frequently if event and circumstances indicate that they might be impaired. We have an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, and assumptions that are consistent with the plans and estimates being used to manage our business, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

In performing the two-step quantitative impairment test, our first step is to compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The fair value of the reporting units is estimated using discounted cash flow methodologies, as well as considering third party market value indicators. Our use of a discounted cash flow methodology includes estimates of future revenue based upon budget projections and growth rates. We also develop estimates for future levels of gross and operating profits and projected capital expenditures. Our methodology also includes the use of estimated discount rates based upon industry and competitor analysis as well as other factors. The estimates that we use in its discounted cash flow methodology involves many assumptions by management that are based upon future growth projections. Calculating the fair value of the reporting units requires significant estimates and assumptions by management. Should the estimates and assumptions regarding the fair value of the reporting units prove to be incorrect, we may be required to record impairments to its goodwill in future periods and such impairments could be material. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. In estimating the fair value of each reporting unit we estimate the future cash flows of each reporting unit, we have taken into consideration the overall and industry economic conditions and trends, market risk of the company and historical information. During the years ended December 31, 2016 and 2017, we did not record any impairment charges related to goodwill. During the year ended December 31, 2018, following the investigation of the Ji'nan dealership, Kaixin transferred its equity interest in the Ji'nan dealership and the related assets to another affiliate of ours. Following the transfer, we closed the dealership. As a result of the above, we fully impaired the goodwill related to the Ji'nan dealership, amounting to US\$25.8 million. We acquired Sindeo in 2017. During the year ended December 31, 2018, we performed our goodwill impairment testing and determined there was an impairment. As a result, the entire balance of goodwill associated with Sindeo, amounting to US\$3.3 million, was written off. The carrying value of our remaining reporting units did not exceed their fair value. As such, no other impairments were recorded other than those described above.

Please see “Item 3.D. Risk Factors—Risks Related to Our Business and Industry” for a discussion of risks and uncertainties that may adversely affect our growth. These risks and uncertainties, if materialized, could also have a negative effect on the estimated fair value.

Share-based Compensation

Our 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 is accounted for as a modification of the share incentive plans. Therefore, we calculate 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 would recognize incremental compensation cost in the period the modification occurred and for unvested options, we would 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.

Value-added Taxes

Value-added tax, or VAT, is also reported as a deduction to revenue when incurred and amounted to US\$4.1 million, US\$9.8 million and US\$15.8 million for the years ended December 31, 2016, 2017 and 2018, respectively. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in accrued expense and other current liabilities on the consolidated balance sheet.

In 2018, we entered into a series of ancillary agreements to facilitate our sale of used cars for VAT optimization purposes. Under these ancillary agreements, when we source a used car, the legal title of the car is transferred to an executive of our subsidiary and the registration is transferred to the name of one of the dealership employees. We view our company as a service provider in the used car transactions which is only subject to VAT on the difference between the original purchase price and the retail price of the used cars.

Income Taxes

In preparing our consolidated financial statements, we must estimate our income taxes in each of the jurisdictions in which we operate. We estimate our actual tax exposure and assess temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we include in our consolidated balance sheet and which are classified as non-current. We must then assess the likelihood that we will recover our deferred tax assets from future taxable income. If we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance, we must include an expense within the tax provision in our statement of operations.

Management must exercise significant judgment to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We base the valuation allowance on our estimates of taxable income in each jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We recorded nil unrecognized tax benefits during the years ended December 31, 2016, 2017 and 2018.

Uncertainties exist with respect to the application of the PRC Enterprise Income Tax Law and its implementing rules to our operations, specifically with respect to our tax residency status. The Enterprise Income Tax Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their “de facto management bodies” are located within the PRC. The Enterprise Income Tax Law’s implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.”

Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute residents under the Enterprise Income Tax Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect our results of operations.

Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Code might apply to us, our company’s conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. If the United States taxing authorities successfully treated our company as a United States domestic corporation, our company would be subject to United States federal income tax on its worldwide taxable income as if it were a United States corporation. For more information, please refer to “Item 3.D. Risk Factors—Risks Related to Our Corporate Structure and the Regulation of Our Business—If we are required to pay U.S. taxes, the value of your investment in our company could be substantially reduced.”

Consolidation of variable interest entity

PRC laws and regulations currently prohibit direct foreign ownership of business entities providing value-added telecommunications services in the PRC where certain licenses are required for the provision of such services. To comply with the PRC laws and regulations, we conduct substantially all of our business through our variable interest entities and their subsidiaries. We have, through one of our wholly owned subsidiaries in the PRC, entered into contractual arrangements with Qianxiang Tiancheng such that Qianxiang and its subsidiaries are considered as our variable interest entities for which we are considered their primary beneficiary. We believe we have substantive kick-out rights per the terms of the equity option agreements, which gives us the power to control the shareholder of these entities. More specifically, we believe that the terms of the exclusive equity option agreements are currently exercisable and legally enforceable under PRC laws and regulations. Therefore, we believe this gives us the power to direct the activities that most significantly impact the economic performance of these entities and their subsidiaries. We believe that our ability to exercise effective control, together with the service agreements and the equity interest pledge agreements, give us the rights to receive substantially all of the economic benefits from these entities and their subsidiaries in consideration for the services provided by our wholly owned subsidiaries in China. Accordingly, as the primary beneficiary of these entities and in accordance with U.S. GAAP, we consolidate their financial results and assets and liabilities in our consolidated financial statements.

Based on the advice of TransAsia Lawyers, our PRC legal counsel, our corporate structure in China complies with all existing PRC laws and regulations. However, our PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. 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.

In January 2016 and September 2016, we originated the issuance of two Shanghai Renren Finance Leasing Asset-Backed Special Plans, approximating RMB 299.8 million (US\$46.1 million) and RMB 510.6 million (US\$78.5 million), respectively. The plans are collateralized by certain financing receivables arising from our used automobile financing business.

The plans consist of three tranches: AAA-rated senior securities (covering 68.0% and 70.5% of the total securities issued, respectively) and AA-rated senior securities (covering 10.5% and 11.0% of the total securities issued, respectively) which were purchased by external investors, and subordinate securities (covering 21.5% and 18.5% of the total securities issued, respectively) held by us. We also provided a guarantee to secure the full repayment of the principal and interest of the external investors in the plans.

We hold significant variable interests in the plans through holding the subordinate securities and the guarantee provided, from which we have the right to receive benefits from the plans that could potentially be significant to the plans.

We also have power to direct the activities of the plans that most significantly impact the economic performance of the plans by making revolving purchases of underlying financing receivables and providing payment collection services from the underlying financing receivables.

Accordingly, we are considered the primary beneficiary of the plans and have consolidated the plans' assets, liabilities, results of operations and cash flows in the accompanying consolidated financial statements.

The assets of the plans are not available to our creditors. In addition, the investors of the plans have no recourse against our assets.

Financing receivable

Financing receivable represents receivables derived from the financing business. Financing receivable is recorded at amortized cost, reduced by a valuation allowance estimated as of the balance sheet dates. The amortized cost of a financing receivable is equal to the unpaid principal balance, plus net deferred origination costs. Net deferred origination costs are comprised of certain direct origination costs, net of origination fees received. Origination fees include fees charged to the individuals or companies that increase the financing's effective yield. Direct origination costs in excess of origination fees received are included in the financing receivable and amortized over the financing term using the effective interest method. Financing origination costs are limited to direct costs attributable to originating the financing, including commissions and personnel costs directly related to the time spent by those individuals performing activities related to the origination.

Due to limitations imposed by PRC laws and regulations, we previously had appointed a senior management member to act as an intermediary to facilitate certain financing services for our internet finance business. Under this business model, we arranged for each individual or company to sign the financing agreement with the intermediary. We provided funds to the intermediary to finance the individuals or companies in accordance with the financing agreement. Immediately upon signing a financing agreement with an individual or a company, the intermediary then transferred all of the creditor's rights arising from the financing agreement to us. The intermediary never put his own funds at risk and bore no risk in the arrangement and thus was considered an agent. In May 2016, we terminated all of the financing business conducted under this business model and we performed all subsequent financing ourselves.

Allowance for financing receivable

An allowance for financing receivable is established through periodic charges to the provision for financing receivable losses when we believe that the future collection of principal is unlikely. Subsequent recoveries, if any, are recorded as credits against the allowance. We evaluate the creditworthiness of our portfolio based on a pooled basis due to the composition of homogeneous financing with similar size and general credit risk characteristics for similar financing businesses. We consider the creditworthiness of the individuals and the companies receiving financing, aging of the outstanding financing receivable and other specific circumstances related to the financing when determining the allowance for financing receivable. The allowance is subjective as it requires material estimates including such factors as known and inherent risks in the financing portfolio, adverse situation that may affect the ability of the individuals and the companies receiving financing to repay and current economic conditions. Recovery of the carrying value of financing receivable is dependent to a great extent on conditions that are beyond our control.

Nonaccrual financing receivable

Financing income is calculated based on the contractual rate of the financing and recorded as financing income over the life of the financing using the effective interest method. Financing receivables are placed on non-accrual status upon reaching 90 days past due for those arising from financing for installment sales and apartment rental financing, or when reasonable doubt exists as to the full, timely collection of the financing receivable. When a financing receivable is placed on non-accrual status, we stop accruing financing income. The financing receivable is returned to accrual status if the related individual or company has performed in accordance with the contractual terms for a reasonable period of time and, in our judgment, will continue to make period principal and financing income payments as scheduled. We write off our nonaccrual financing receivable by considering factors including, but not limited to the overdue days, the collection condition replied by third-party collectors and the repayment willingness of the debtor.

Inventory

Inventory consists of purchased used automobiles. The vehicle reconditioning costs and other incremental costs are capitalized as a component of inventory. Inventory is stated at the lower of cost or net realizable value. Inventory cost is determined by specific identification. Net realizable value is the estimated selling price less costs to complete, dispose and transport the vehicles. Selling prices are derived from historical data and trends, such as sales price and inventory turn times of similar vehicles, as well as independent, market resources. Each reporting period we recognize any necessary adjustments to reflect vehicle inventory at the lower of cost or net realizable value through cost of sales in the accompanying consolidated statements of operations.

Inventory write-downs are established based on management's review on a vehicle-by-vehicle basis for slow moving and obsolete items. On a quarterly basis, the management examines an inventory report. The vehicle is considered slow moving if it has not been sold within a 90 days period since procurement, in light of our average inventory turnover days during the year ended December 31, 2017 and 2018, were 80 days and 63 days, respectively. In estimating the level of inventory write-downs for slow moving vehicles, we consider historical data and forecasted customer demand, such as sales price and inventory turn times of similar vehicles with similar mileage and condition, as well as independent, market information. This valuation process requires management to make judgements, based on currently available information, and assumptions about future demand and market conditions, which are inherently uncertain. To the extent that there are significant changes to estimated vehicle selling prices or decreases in demand for used vehicles, there could be significant adjustment to reflect inventory at net realizable value.

Business Acquisition

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred.

Where the consideration in an acquisition includes contingent consideration and the payment of the consideration depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date. If it is recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings. As of December 31, 2017 and 2018, contingent consideration liability related to the used automobile dealers acquired during the years ended December 31, 2017 and 2018 amounted to US\$66.8 million and US\$105.7 million, respectively, and has been recorded as contingent consideration liability and long-term contingent consideration liability on our consolidated balance sheet. We estimated the fair value of our contingent consideration by using valuation models that incorporate certain assumptions which include IPO probability and discount rate.

Accounting Pronouncements Newly Adopted

Newly adopted accounting pronouncements that are relevant to us are included in note 2 to our audited consolidated financial statements, which are included in this annual report.

Recent Accounting Pronouncements Not Yet Adopted

Not yet adopted accounting pronouncements that are relevant to us are included in note 2 to our audited consolidated financial statements, which are included in this annual report.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated. Our business has evolved rapidly in recent years. We believe that period-to-period comparisons of our results of operations should not be relied upon as indicative of future performance.

	Years ended December 31,		
	2016	2017	2018
Net revenues:			
Used automobile sales	29,317	121,084	467,232
IVAS and others	18,164	24,271	28,420
Financing income	—	29,269	2,456
Total net revenues	47,481	174,624	498,198
Cost of revenues:			
Used automobile sales	—	116,385	449,805
IVAS and others	14,869	17,954	12,642
Financing income	25,708	28,975	14,021
Total cost of revenues	(40,577)	(163,314)	(476,468)
Gross profit	6,904	11,310	21,730
Operating expenses:			
Selling and marketing	(13,932)	(20,070)	(34,562)
Research and development	(7,542)	(17,435)	(26,349)
General and administrative	(39,406)	(51,494)	(71,094)
Gain on disposal of property and equipment	—	—	25,928
Impairment of goodwill	—	—	(29,055)
Total operating expenses	(60,880)	(88,999)	(135,132)
Loss from operations	(53,976)	(77,689)	(113,402)
Other income (expenses)	8,336	2,656	(2,014)
Fair value change of contingent consideration	—	(2,601)	(29,604)
Interest income	832	1,988	5,760
Interest expenses	(7,107)	(4,322)	(5,103)
Realized (loss) gain on short-term investments	595	(100)	—
Realized (loss) gain on disposal of long-term investments	—	37,311	(2,141)
Impairment of long-term investments	(1,484)	—	—
Total non-operating income (loss)	1,172	34,932	(33,102)
Loss before provision of income tax and loss in equity method investments, net of tax	(52,804)	(42,757)	(146,504)
Income tax expenses	(2,470)	(4,479)	(9,850)
Loss before loss in equity method investments, net of tax	(55,274)	(47,236)	(156,354)
Loss (income) in equity method investments, net of tax	(7,840)	55,985	(2,463)
Loss from continuing operations	(63,114)	8,749	(158,817)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net revenues. Our net revenues increased by 185% from US\$174.6 million in 2017 to US\$498.2 million in 2018. This increase was primarily due to revenues from used automobile sales, which was a business that we launched in June 2017, partially offset by the near absence of financing income revenues in 2018.

- *Used automobile sales.* We commenced used automobile sales in June 2017, and the scale of this business greatly increased in 2018. Used automobile sales net revenues increased by 286% from US\$121.1 million in 2017 to US\$467.2 million in 2018. We sold a total of 2,225 automobiles in 2017 and 7,438 automobiles in 2018.
- *IVAS and others.* Our IVAS and others net revenues increased by 17.5% from US\$24.3 million in 2017 to US\$28.5 million in 2018. The increase in our IVAS and others net revenues was primarily due to the service revenue from the Kaixin used auto business.

- **Financing income.** Our financing income revenues decreased by 91.6% from US\$29.3 million in 2017 to US\$2.5 million in 2018 as we made a strategic decision to extend credit to our own dealerships rather than affiliated network dealerships in 2018.

Cost of revenues. Our cost of revenues increased by 192% from US\$163.3 million in 2017 to US\$476.5 million in 2018. This increase was primarily due to the cost of used automobile sales.

- **Used automobile sales.** Used automobile sales accounted for 94.4% of our total cost of revenues in 2018, in line with the percentage of total revenues which they accounted for. Cost of revenues for used automobile sales is primarily the cost to acquire the vehicles.
- **IVAS and others.** Our IVAS and others cost of revenues decreased by 29.6% from US\$18.0 million in 2017 to US\$12.6 million in 2018. The decrease in our IVAS and others cost of revenues was primarily due to a decrease of commission cost we paid to our Woxiu performers.
- **Financing income.** Our cost of revenues for financing income decreased by 51.6% from US\$29.0 million in 2017 to US\$14.0 million in 2018. The decrease was primarily due to we made a strategic decision to extend credit to our own dealerships rather than affiliated network dealerships in 2018.

Operating expenses. Our operating expenses increased by 51.8% from US\$89.0 million in 2017 to US\$135.1 million in 2018, due in particular to increases in sales and marketing expenses, general and administrative expenses and impairment of goodwill.

- **Selling and marketing expenses.** Our selling and marketing expenses increased by 72.2% from US\$20.1 million in 2017 to US\$34.6 million in 2018. This increase was primarily due to the increase in headcount and personnel-related expenses for the used auto sales business.
- **Research and development expenses.** Our research and development expenses increased by 51.1% from US\$17.4 million in 2017 to US\$26.3 million in 2018. This increase was primarily due to an increase in headcount and personnel-related expenses for the SaaS business.
- **General and administrative expenses.** Our general and administrative expenses increased by 38.1% from US\$51.5 million in 2017 to US\$71.1 million in 2018. The increase was primarily due to professional fees for the OPI Transaction.
- **Impairment of goodwill.** We had impairment of goodwill of US\$29.1 million in 2018, primarily due to impairment losses on goodwill arising from our acquisition of the Ji'nan dealership. We had no impairment of goodwill in 2017.
- **Gain on disposal of property and equipment.** We had gain on disposal of property and equipment of US\$25.9 million due to selling a building located in Shanghai.

Other expense. We had other expense of US\$2.0 million in 2018, as compared to an income of US\$2.6 million in 2017.

Fair value change of contingent consideration. Our fair value change of contingent consideration was US\$29.6 million in 2018, as compared to US\$2.6 million in 2017.

Interest income. Our interest income was US\$5.8 million in 2018, as compared to interest income of US\$2.0 million in 2017. Our interest income was primarily interest from the note issued to us by Oak Pacific Investment in the OPI Transaction.

Interest expenses. Our interest expense was US\$5.1 million in 2018, as compared to interest expense of US\$4.3 million in 2017. The interest expense in 2018 was primarily due to interest on loans that we borrowed from commercial banks.

Realized loss on disposal of long-term investments. Our realized loss on disposal of long-term investments was US\$2.1 million in 2018, compared to a realized gain on disposal of long-term investments of US\$37.3 million in 2017.

(Loss) earnings in equity method investments. Our loss in equity method investments was US\$2.5 million in 2018, compared to gain in equity method investments of US\$56.0 million in 2017.

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

Net revenues. Our net revenues increased by 268% from US\$47.5 million in 2016 to US\$174.6 million in 2017. This increase was primarily due to revenues from used automobile sales, which was a business that we launched in June 2017.

- **Used automobile sales.** We commenced used automobile sales in June 2017, and they already accounted for 69.3% of our total net revenues in 2017.
- **IVAS and others.** Our IVAS and others net revenues increased by 33.6% from US\$18.2 million in 2016 to US\$24.3 million in 2017. The increase in our IVAS and others net revenues was primarily due to the revenue from our SaaS businesses.
- **Financing income.** Our financing income revenues remained substantially unchanged at US\$29.3 million in 2016 and 2017. The amount of loan origination to used automobile dealerships was US\$25.4 million during 2017, as compared with US\$17.9 million during 2016.

Cost of revenues. Our cost of revenues increased by 302% from US\$40.6 million in 2016 to US\$163.3 million in 2017. This increase was primarily due to the cost of used automobile sales.

- **Used automobile sales.** Used automobile sales accounted for 71.3% of our total cost of revenues in 2017, in line with the percentage of total revenues which they accounted for. Cost of revenues for used automobile sales is primarily the cost to acquire the vehicles.
- **IVAS and others.** Our IVAS and others cost of revenues increased by 20.7% from US\$14.9 million in 2016 to US\$18.0 million in 2017. The increase in our IVAS and others cost of revenues was primarily due to an increase of commission cost we paid to Woxiu performers.
- **Financing income.** Our cost of revenues for financing income increased by 12.7% from US\$25.7 million in 2016 to US\$29.0 million in 2017. The increase was primarily due to an increase in provision for financing receivables.

Operating expenses. Our operating expenses increased by 46.2% from US\$60.9 million in 2016 to US\$89.0 million in 2017, due to increases in sales and marketing expenses and general and administrative expenses.

- **Selling and marketing expenses.** Our selling and marketing expenses increased by 44.1% from US\$13.9 million in 2016 to US\$20.1 million in 2017. This increase was primarily due to an increase of US\$2.3 million in salaries and other benefits as we increased our headcount and an increase of US\$1.1 million for promotion expenses for Chime.
- **Research and development expenses.** Our research and development expenses increased by 131% from US\$7.5 million in 2016 to US\$17.4 million in 2017. This increase was primarily due to an increase of US\$7.3 million in salaries and other benefits for research and development personnel, which was primarily due to the increase in our research and development headcount in 2017.
- **General and administrative expenses.** Our general and administrative expenses increased by 30.7% from US\$39.4 million in 2016 to US\$51.5 million in 2017. The increase was primarily due to an increase of US\$4.9 million in share-based compensation expenses, as well as an increase in the professional expenses for the transaction that we announced on April 30, 2018.

Interest income. Our interest income was US\$2.0 million in 2017, as compared to interest income of US\$0.8 million in 2016. Our interest income was primarily interest from term deposits at commercial banks.

Interest expenses. Our interest expense was US\$4.3 million in 2017, as compared to interest expense of US\$7.1 million in 2016. The interest expense was primarily interest on loans that we borrowed from commercial banks.

Realized gain on disposal of long-term investments. Our realized gain on disposal of long-term investments was US\$37.3 in 2017, compared to a realized gain on disposal of long-term investments of nil in 2016. The gain was primarily due to the disposal of common shares of Mapbar Technology Limited.

Impairment of long-term investments. Our impairment of long-term investments was US\$nil in 2017, compared to impairment of long-term investments of US\$1.5 million in 2016.

(Loss) earnings in equity method investments. Our earnings in equity method investments was US\$56.0 million in 2017, compared to loss in equity method investments of US\$7.8 million in 2016. The increase was primarily due to the US\$58.3 million gain on disposal of certain shares of Social Finance Inc. in 2017.

Discussion of Segment Operations

We had two reportable segments as of December 31, 2018, our Renren segment and our auto group segment. Before we disposed of our Renren SNS business in December 2018, our Renren segment offered social networking services and other internet value added services. Our auto group segment sells used automobiles and related products, arranges financing options for customers through our financial services partners and provides credit financing to used automobile dealerships.

The following table lists our net revenues and operating costs and expenses by reportable segment for the periods indicated.

	Year ended December 31, 2016		
	Renren	Auto	Total
Net revenues	\$ 26,635	\$ 20,846	\$ 47,481
Cost of revenues	(26,506)	(14,071)	(40,577)
Operating expenses	(40,140)	(20,740)	(60,880)
Operating loss	(40,011)	(13,965)	(53,976)
Net loss from continuing operations	(47,126)	(15,988)	(6,3114)
Net income from discontinued operations	(114,172)	(8,066)	(122,238)
Net loss	(161,298)	(24,054)	(185,352)

	Year ended December 31, 2017		
	Renren	Auto	Total
Net revenues	\$ 58,038	\$ 116,586	\$ 174,624
Cost of revenues	(50,256)	(113,058)	(163,314)
Operating expenses	(59,348)	(29,651)	(88,999)
Operating loss	(51,566)	(26,123)	(77,689)
Net loss from continuing operations	39,289	(30,540)	8,749
Net income from discontinued operations	(121,097)	1,845	(119,252)
Net loss	(81,808)	(28,695)	(110,503)

	Year ended December 31, 2018		
	Renren	Auto	Total
Net revenues	\$ 19,122	\$ 479,076	\$ 498,198
Cost of revenues	(11,966)	(464,502)	(476,468)
Operating expenses	(66,847)	(68,285)	(135,132)
Operating loss	(59,691)	(53,711)	(113,402)
Net loss from continuing operations	(69,285)	(89,532)	(158,817)
Net income from discontinued operations	223,298	–	223,298
Net loss	154,013	(89,532)	64,481

B. Liquidity and Capital Resources

Cash Flows and Working Capital

As of December 31, 2018, we had US\$15.3 million in cash and cash equivalents and US\$42.2 million in restricted cash. We believe that our cash on hand, together with cash obtained by Kaixin from the Kaixin Offering and cash provided by financing activities, will provide us with sufficient capital to meet our anticipated cash needs for the next 12 months. If we have additional liquidity needs, we may obtain additional financing to meet such needs. However, we cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are unable to obtain additional equity or debt financing as required, our business, operations and prospects may suffer.

Although we consolidate the results of Qianxiang Wangjing and Qianxiang Changda, our access to cash balances or future earnings of these entities is only through our contractual arrangements with these entities and their respective shareholders and subsidiaries. See “Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

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

	Years ended December 31,		
	2016	2017	2018
	(in thousands of US\$)		
Net cash used in operating activities	\$ (11,005)	\$ (114,964)	\$ (60,239)
Net cash (used in) provided by investing activities	(183,653)	263,285	170,844
Net cash provided by (used in) financing activities	126,075	(67,113)	(254,179)
Net (decrease) increase in cash and cash equivalents	(68,583)	81,208	(143,574)
Cash and cash equivalents at the beginning of the year	183,500	110,084	201,923
Effect of exchange rate changes	(4,833)	10,631	(836)
Cash and cash equivalents at the end of the year	110,084	201,923	57,513

Operating Activities

Net cash used in operating activities amounted to US\$60.2 million in 2018, compared to net income of US\$64.5 million. The principal change in operating assets and liabilities accounting for the difference between our net loss and our net cash used in operating activities in 2018 was an increase in amount due from related parties of US\$65.3 million, which was offset by a decrease in prepaid expenses and other current assets of US\$51.9 million and a decrease in inventory of US\$28.9 million. The principal adjustments to reconcile our net income to our net cash used by operating expenses were a gain on deconsolidation of subsidiaries of US\$242.1 million related to the disposition of our Renren SNS business and Oak Pacific Investment, and gain on disposal of property and equipment of US\$25.9 million, partially offset by share-based compensation expenses of US\$31.6 million, fair value change of contingent consideration of US\$29.6 million, impairment on goodwill of US\$29.1 million, and loss in equity method investments of US\$12.1 million.

Net cash used in operating activities amounted to US\$115.0 million in 2017, compared to a net loss of US\$110.5 million. The principal change in operating assets and liabilities accounting for the difference between our net loss and our net cash used in operating activities in 2017 was an increase in inventory of US\$76.6 million for the acquisition of used automobiles in connection with the new business we launched in June 2017. The principal adjustments to reconcile our net loss to our net cash used by operating expenses were impairment on long-term investments of US\$113.1 million relating to assets which we have transferred to Oak Pacific Investment in connection with the transaction we announced on April 30, 2018, share-based compensation expenses of US\$28.0 million and provision for financing receivable losses of US\$12.7 million, partially offset by gain on disposal of equity method investment of US\$59.7 million for Social Finance Inc. and Loadstar Capital K.K., and realized gain on disposal of long-term investments of US\$37.3 million for Mapbar Technology Limited.

Net cash used in operating activities amounted to US\$11.0 million in 2016, compared to a net loss of US\$185.4 million. The principal changes in operating assets and liabilities accounting for the difference between our net loss and our net cash used in operating activities in 2016 were a decrease in prepaid expenses and other current assets of US\$7.9 million and the repayment of an intercompany loan that we had made to Online Gaming of US\$7.5 million. The principal adjustments to reconcile our net loss to our net cash used by operating expenses were impairment on long-term investments of US\$102.3 million, share-based compensation expenses of US\$23.5 million, net loss in equity method investments of US\$18.2 million and provision for financing receivable losses of US\$12.4 million, partially offset by gain on deconsolidation of subsidiaries of US\$12.9 million.

Investing Activities

Net cash provided by investing activities amounted to US\$170.8 million in 2018, due mainly to proceeds from principal repayments of financing receivable of US\$109.1 million and proceeds from disposal of equipment and property of US\$60.4 million. Principal repayments of financing receivables are related to our business of providing credit financing to used automobile dealers in China. Because we concentrated on providing credit financing to our consolidated affiliates in 2018 rather than to unaffiliated dealerships, the figure for principal repayments of financing receivables was much lower than in 2017 and there was no offsetting amount for payments to provide financing receivables. The disposal of equipment and property was related to our disposal of building located in Shanghai to a third party in May 2018 for \$60.4 million.

Net cash provided by investing activities amounted to US\$263.3 million in 2017, due mainly to proceeds from principal repayments of financing receivable of US\$926.0 million, proceeds from sale of equity method investment of US\$94.6 million and proceeds from sale of cost method investment of US\$32.7 million, partially offset by payments to provide financing receivable of US\$748.7 million. The financing receivable is generated from loans to used automobile dealerships in our financing business.

- Our principal purchases of long-term investments in 2017 included US\$4.4 million for Shenzhen Xing Tu Zhi Kong Technology Co., Ltd., US\$3.0 million for Shanghai SinceMe Networking & Technology Corp. Ltd. and US\$2.0 million for Plum Inc. In addition, we made other purchases of long-term investments of US\$4.2 million for equity interests in 2017.
- Our principal disposition of long-term investments in 2017 included US\$91.9 million from Social Finance Inc. and US\$32.7 million from Mapbar Technology Limited.

Net cash used in investing activities amounted to US\$183.7 million in 2016, due mainly to cash paid to customers in our financing business of US\$799.2 million and cash paid for purchases of long-term investments of US\$50.8 million, partially offset by repayment from customers in our internet finance business of US\$626.8 million, capital distributions received from equity method investees of US\$29.6 million, proceeds from sale of trading securities of US\$22.6 million and proceeds from sale of equity method investment of US\$18.5 million.

- Our principal purchases of long-term investments in 2016 included US\$20.0 million for Series A Preferred Shares of Credit Shop Inc. and US\$12.9 million for Shenzhen Golden Axe Co., Ltd. In addition, we made other purchases of long-term investments of US\$17.9 million for equity interests in 2016.
- Our principal disposition of long-term investments in 2016 was US\$29.5 million from Hayman Credes Master Fund.

Financing Activities

Net cash used in financing activities was US\$254.2 million in 2018, due mainly to US\$193.5 million of principal repayment to investors in our financing business, US\$169.0 million of cash distribution to shareholders related to the extraordinary dividend we paid in June 2018 and US\$119.0 million used to repay short-term and long-term loans, partially offset by proceeds from short-term and long-term debt borrowings of US\$158.1 million and proceeds from investors in our financing business of US\$57.8 million. Proceeds from investors and principal repayment to investors relate to our use of asset-backed securities and peer-to-peer platforms to fund the financing receivables that we generate in our financing business.

Net cash used in financing activities was US\$67.1 million in 2017, due mainly to US\$1,688.7 million of principal repayment to investors in our financing business and US\$68.0 million used to repay short-term and long-term loans, partially offset by proceeds from investors in our financing business of US\$1,580.5 million and proceeds from debt borrowings of US\$92.5 million. Proceeds from investors and principal repayment to investors relate to our use of asset-backed securities and peer-to-peer platforms to fund the financing receivables that we generate in our financing business.

Net cash provided by financing activities was US\$126.1 million in 2016, due mainly to proceeds from investors in our financing business of US\$844.7 million and proceeds from debt borrowings of US\$39.1 million, partially offset by US\$637.9 million of principal repayment to investors in our financing business and US\$131.9 million used to repay short-term and long-term loans.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. We conduct our operations in China principally through several sets of contractual arrangements between two of our wholly owned PRC subsidiaries, namely Qianxiang Shiji and Renren Automobile, and their respective consolidated affiliated entities, namely Qianxiang Tiancheng, Shanghai Changda and Shanghai Jiying, and their respective shareholders. See “Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities” for a summary of these contractual arrangements. For each of the three years ended December 31, 2018, revenues from our consolidated affiliated entities constituted substantially all of our total consolidated net revenues.

Conducting our operations through contractual arrangements with our consolidated affiliated entities in China entails a risk that we may lose effective control over our consolidated affiliated entities, which may result in our being unable to consolidate their financial results with our results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See “Item 3.D. Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business” for more information, including the risk factors titled “If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, 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 “We rely on contractual arrangements with consolidated affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership. Any failure by our affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.”

Dividend Distributions

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends primarily upon dividends and other distributions paid to us by our PRC subsidiaries. The amount of dividends paid by each of our PRC subsidiaries to us depends solely on the service and license fees paid to each of our PRC subsidiaries by the consolidated affiliated entity with which it has contractual arrangements.

Under PRC law, all of our PRC subsidiaries and consolidated affiliated entities in China are required to set aside at least 10% of their respective after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of their respective registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Our PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

After Qianxiang Wangjing and Qianxiang Changda make appropriations for their respective statutory reserves and retain any profits, each of their remaining net profits are distributable to their sole shareholder, Qianxiang Tiancheng, in the form of an RMB dividend. Pursuant to the contractual arrangements between Qianxiang Tiancheng and Qianxiang Shiji, Qianxiang Tiancheng’s earnings and cash (including dividends received from its subsidiaries) are used to pay service and license fees in RMB to Qianxiang Shiji, in the manner and amount set forth in these agreements. After paying the withholding taxes applicable to Qianxiang Shiji’s revenues and earnings, making appropriations for its statutory reserve requirements and retaining any profits from accumulated profits, the remaining net profits of Qianxiang Shiji would be available for distribution to us through the respective offshore holding companies through which we own Qianxiang Shiji, although we have not, and do not have, any present plan to make such distributions. As of December 31, 2017, the net assets of Qianxiang Shiji and our consolidated affiliated entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate US\$436.0 million. We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future. See “Item 3.D. Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business” and “Item 3.D. Risk Factors—Risks Related to Doing Business in China—Our global income and the dividends that we may receive from our PRC subsidiary, dividends distributed to our non-PRC shareholders and ADS holders, and gain recognized by such shareholders or ADS holders, may be subject to PRC taxes under the Enterprise Income Tax Law, which would have a material adverse effect on our results of operations” for more information.

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

Capital Expenditures

We made capital expenditures of US\$0.4 million, US\$0.5 million and US\$0.9 million in 2016, 2017 and 2018, respectively. In the past, our capital expenditures were primarily used to purchase servers and other equipment for our business, and purchase of real estate. In 2016, our capital expenditures included purchases of computer servers and equipment of US\$0.4 million. In 2017, our capital expenditures included purchases of computer servers and equipment of US\$0.1 million. In 2018, our capital expenditures included purchases of computer servers and equipment of US\$0.9 million. We expect to incur capital expenditures of up to approximately US\$0.1 million in 2019, which will be primarily used to purchase some equipment for our after-sale services business, additional servers and computers and expand our network infrastructure to support the growth of our business.

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

Research and Development

Our research and development efforts focus on developing and improving the scalability, features and functions of each of our websites, services and applications. We have a large team of 399 engineers and developers as of December 31, 2018, accounting for 34% of our employees as of that date. Most of our engineers and developers are based at our headquarters in Beijing.

Our research and development personnel support all areas of our business, mainly focusing on the improvement and enhancement of Kaixin’s website and mobile app and ensuring we are fully compatible with the latest mobile operating systems such as iOS, Android and Windows, but also working on our Chime initiative, supporting our financing business and supporting our Woxiu business. We continue to develop new products and services to meet the needs of our user base and customers.

Our research and development expenses primarily include salaries and benefits for our research and development personnel and depreciation of related PC and servers. We incurred US\$7.5 million, US\$17.4 million and US\$26.3 million of research and development expenses in 2016, 2017 and 2018, respectively.

Intellectual Property

Our intellectual property includes trademarks and trademark applications related to our brands and services, copyrights in software, trade secrets, patent applications and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brand through a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures.

开心汽车 is a registered trademark in China. We have applied for patents relating to our technologies, among which we have been granted 30 patents. We have registered domain names including *xiaonei.com*, *kaixin.com* and *chimeroi.com*. In addition, we maintain 81 copyright registrations, of which 62 are computer software copyright registrations. Our employees sign confidentiality and non-compete agreements when hired.

We have successfully obtained a trademark registration for 开心汽车, which translates to “Kaixin Auto”, in category 35, which covers areas we deem crucial to Kaixin’s business. However, we have not yet obtained trademark registrations in other important categories, including automobile maintenance. Therefore, we might be unable to completely prevent a third party from using the Kaixin brand for a business that is the same or similar to Kaixin’s. We are still in the process of obtaining trademark registration for the Kaixin brand name in other relevant categories. We may not be able to successfully register Kaixin’s brand in such categories and may even be exposed to the risk that we are held to be infringing third-party trademark rights. We believe that the Kaixin brand is vital to its competitiveness and its ability to attract new customers. Any failure to protect these rights could adversely affect our business and financial condition. See “Item 3.D. Risk Factors—Risks Related to Our Business and Industry—Our own intellectual property rights may be infringed, which could materially and adversely affect our business and results of operations.”

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, 2017 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations including interest payment, if applicable, as of December 31, 2018:

	Total	Payment Due by Period			
		Less than 1 year	1-3 years (in thousands of US\$)	4-5 years	More than 5 years
Operating lease obligations ⁽¹⁾	14,697	5,735	6,700	1,275	987
Loan obligations ⁽²⁾	87,427	52,113	35,314	—	—
TOTAL	102,124	57,848	42,014	1,275	987

(1) We lease facilities and offices under non-cancelable operating lease agreements. In addition, we pay telecommunications carriers and other service providers for telecommunications services and for hosting our servers at their internet data centers under non-cancelable agreements, which are treated as operating leases.

(2) In 2018, we entered into one long-term borrowing for a total of US\$35.0 million and several short-term borrowing for a total of US\$49.9 million. Balances include future principal and interest payments related to those agreements. Actual interest payments may differ.

In December 2016, we entered into a short-term loan agreement with East West Bank for US\$30 million. In June 2017, we amended and extended the maturity date to April 2018. In October 2017, we repaid US\$10 million of the loan balance. In January 2018, we further refinanced our short-term loan agreement with East West Bank and replaced it with a long-term debt. The long-term debt is repayable on April 3, 2020. Accordingly, we have excluded US\$20 million from the short-term debt and has reclassified it to long-term debt as of December 31, 2017.

During the year ended December 31, 2018, we repaid US\$12.0 million and borrowed an additional US\$27.0 million from East West Bank.

G. Safe Harbor

See “Forward-Looking Statements” on page 1 of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Joseph Chen	50	Chairman, Chief Executive Officer, Director
James Jian Liu	46	Director, Chief Operating Officer
Hui Huang	46	Independent Director
Chuanfu Wang	53	Independent Director

Directors and Executive Officers	Age	Position/Title
Stephen Tappin	52	Independent Director
Tianruo Pu	50	Independent Director
Thomas Jintao Ren	40	Chief Financial Officer
Rita Rui Yi	50	Vice President for HR
He Li	35	Vice President for SaaS and Trucker Path
Chen Ji	39	Chief Executive Officer of Kaixin Auto
Jinfeng Xie	39	Chief Operating Officer of Kaixin Auto
Michael McGowan	43	Vice President of Sales, Chime Technologies

Joseph Chen is the founder of our company. Mr. Chen has served as the chairman of our board of directors and chief executive officer of our company since our inception. Mr. Chen is a pioneer of China's internet industry. Before founding our company, Mr. Chen was the co-founder, chairman and chief executive officer of ChinaRen.com, a first-generation SNS in China and one of China's most visited websites in 1999. He served as senior vice president for Sohu.com after ChinaRen.com was acquired by Sohu.com in 2000. Mr. Chen holds a bachelor's degree in physics from the University of Delaware, a master's degree in engineering from the Massachusetts Institute of Technology, and an MBA degree from Stanford University.

James Jian Liu has served as our director since January 2008 and chief operating officer since February 2006. Mr. Liu is also acting as our interim Vice President for Games. Before joining our company, he was the co-founder and chief executive officer of UUMe.com, one of the earliest social networking service websites in China. He served as product management director at Fortinet in its early years and held a senior product manager role at Siebel Systems. Mr. Liu started his career as a management consultant with the Boston Consulting Group in China. Mr. Liu holds a bachelor's degree in computer science from Shanghai Jiao Tong University and an MBA degree from Stanford University, where he was an Arjay Miller Scholar.

Hui Huang has served as our director since January 2015. Ms. Huang served as the chief financial officer of our company from March 2010 to December 2014. From 2007 to February 2010, Ms. Huang was the chief financial officer and director of Cathay Industrial Biotech Ltd. From 2003 to 2007, she was an executive director and Shanghai chief representative of Johnson Electric Capital Limited. From 2000 to 2003, she was an associate of Goldman Sachs (Asia) L.L.C. in its principal investment area and executive office. From 1994 to 1998, she was an associate with the Boston Consulting Group. Ms. Huang received a bachelor's degree in industrial foreign trade from Shanghai Jiaotong University in 1994, and received an MBA degree from the Wharton School of the University of Pennsylvania in 2000.

Chuanfu Wang has served as a director of our company since May 2012. Mr. Wang is the chairman of the board, an executive director and the president of BYD Company Limited (HKG:1211). He has been an executive director of BYD Company Limited since June 2002, in charge of its general operations and overall strategies. Mr. Wang is currently also a non-executive director and the chairman of BYD Electronic (International) Company Limited (HKG: 0285). Mr. Wang founded Shenzhen BYD Battery Company Limited, the predecessor to BYD Company Limited, in February 1995. Before that he served as the deputy director of the Beijing General Research Institute for Nonferrous Metals from 1990 to 1995. Mr. Wang has received many awards, prizes and recognitions, such as Hong Kong's Bauhinia Cup Outstanding Entrepreneur Award in 2000 and BusinessWeek's "Stars of Asia" in 2003, among others. In addition, Mr. Wang was elected as a representative in the Shenzhen People's Congress in March 2000, a member of the Fourth Shenzhen Municipal People's Congress Standing Committee in May 2005, and a member of the Fifth Shenzhen Municipal People's Congress Standing Committee in 2010. Mr. Wang graduated from the Central South University of Technology (now Central South University) in Changsha in 1987, majoring in physical chemistry of metallurgy. He received his master's degree in physical chemistry of metallurgy at Beijing General Research Institute for Nonferrous Metals in 1990.

Stephen Tappin is a CEO coach and the host of CEO Guru on BBC World News. He is also the co-founder, chairman and CEO of Xinfu, a global CEO consultancy business. Prior to that, he was a managing partner at Heidrick and Struggles, a worldwide executive search firm. Mr. Tappin also founded Edengene, an innovation services consultancy. His early corporate career included experience as a senior manager at ICI, the global chemical company, and as a management consultant at KPMG. Mr. Tappin was originally qualified as an accountant and has a joint MBA from Cranfield University and the University of Washington.

Tianruo Pu is currently and an independent director and the chairman of the audit committee of Autohome (NYSE: ATHM), JMU Limited (NASDAQ: JMU) and 3SBio Inc. (HKEX:1530). Mr. Pu has more than twenty years of work experience in finance and accounting in both the United States and China. Mr. Pu previously served as the CFO of Zhaopin Limited from March 2016 to July 2018. Prior to that, Mr. Pu served as chief financial officer and director of UTStarcom Holdings Corp. from October 2012 to August 2014 and as chief financial officer of China Nuokang Bio-Pharmaceutical Inc. from September 2008 to June 2012. Mr. Pu received his MBA degree from Northwestern University's Kellogg School of Management in 2000 and his Master of Science degree in accounting from the University of Illinois in 1996.

Thomas Jintao Ren has served as the chief financial officer of our company since September 2015. He has also served as the chief financial officer of Kaixin Auto since September 2015 and the chief financial officer of Oak Pacific Investment since September 2017. Prior to rejoining our company, Mr. Ren was the chief financial officer at Chukong Technologies. Mr. Ren was previously at Renren between 2005 and 2013, where he served as our senior finance director. Prior to that, Mr. Ren had worked at KPMG for five years. Mr. Ren holds a bachelor's degree in economics from Renmin University of China. He is a certified public accountant in China and the United States, and a chartered professional accountant in Canada.

Rita Rui Yi has served as vice president in charge of human resources for our company since October 2016. Prior to joining our company, Ms. Yi served as the human resource senior director of RealNetworks in charge of human resource business partner management work, covering both the greater China region and South Asia region. Prior to that, Ms. Yi also gained human resource management experience from ING Capital Life Insurance Company, General Electronic and Northern Telecom. Ms. Yi received a bachelor's degree in tourism economy from Beijing International Studies University and received an MBA degree from McMaster University in Canada in 2001.

He Li has served as vice president of our company since 2014 and is now in charge of SaaS and Trucker Path. Mr. Li joined our company in 2011 and has since held various positions in research and development. Mr. Li received a bachelor's degree in Computer Science and a master's degree in Software Science Theory from Peking University.

Chen Ji has served as chief executive officer of Kaixin Auto since October 2018. Prior to that, Mr. Ji served as Kaixin Auto's chief operating officer from September 2014 to September 2018. Before rejoining us, Mr. Ji was a senior director of operations of Baidu from August 2013 to September 2014. Mr. Ji served as a director of operations, purchasing and payment at Renren between May 2009 and August 2013. Prior to that, Mr. Ji worked as a purchasing manager of LG Corporation for six years. Mr. Ji received a bachelor's degree from Beijing Institute of Architectural Engineering in road bridges and intelligent transportation and a master's degree in E-commerce from University of Essex.

Jinfeng Xie has served as Kaixin Auto's chief operating officer since December 2018. Previously, Mr. Xie had served as vice president of sales for Kaixin Auto since October 2014. Mr. Xie joined Renren in 2010 and has since held various positions in sales. Prior to joining Renren, Mr. Xie worked as regional manager of Dianping between 2008 and 2010. Prior to that, Mr. Xie worked at Alibaba for two years. Mr. Xie received a bachelor's degree in transportation from Shijiazhuang Railway Institute.

Michael McGowan has served as a vice president of sales for Chime Technologies, one of our U.S.-based SaaS businesses, since March 2019. Prior to joining our company, Mr. McGowan served as vice president of sales for Commissions Inc., a real estate based SaaS company headquartered in Atlanta, from 2017 to 2019. Before that, Michael was a regional vice president in the financial services and financial technology industry with Transamerica from 2014 to 2017. Mr. McGowan served in the United States Marine Corps before entering the corporate world, from 1993 to 2002, completing several combat tours of duty. Mr. McGowan earned his bachelor's of science from Saint Leo University in accounting and his master's in business administration from Arizona State University.

B. Compensation

For the year ended December 31, 2018, we paid an aggregate of approximately US\$1.7 million in cash to our executive officers and non-executive directors. Our subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. In 2018, we accrued in aggregate US\$115 thousand worth of such benefits for our executive officers.

For the year ended December 31, 2018 we granted a total of 18,286,826 restricted Class A ordinary shares to our executive officers and non-executive directors, and we recorded US\$0.2 million in share-based compensation expense for these grants. For more information, see “Item 6.B. Directors, Senior Management and Employees—Compensation—Equity Incentive Plans.”

Equity Incentive Plans

Since February 27, 2006, we have adopted six equity incentive plans for Renren Inc. to motivate, retain and attract the best personnel and promote the success of our business. The six plans adopted by Renren Inc. were the 2006 Equity Incentive Plan, the 2008 Equity Incentive Plan, the 2009 Equity Incentive Plan, the 2011 Share Incentive Plan (as amended), the 2016 Share Incentive Plan and the the 2018 Share Incentive Plan. We refer to these collectively as the Plans. As of February 28, 2019, options to purchase 2,216,915 ordinary shares were outstanding under the 2009 Equity Incentive Plan, 268,815 restricted share units and options to purchase 97,088,256 ordinary shares were outstanding under the 2011 Share Incentive Plan (as amended), 5,421,239 restricted share units and options to purchase 39,752,430 ordinary shares were outstanding under the 2016 Share Incentive Plan, and 64,705,860 restricted share units were outstanding under the 2018 Share Incentive Plan.

On August 24, 2017, our compensation committee approved to reduce the exercise price for all outstanding options we had previously granted with an exercise price higher than US\$0.478 per ordinary share to US\$0.478 per share.

On June 29, 2018, our compensation committee approved a reduction in the exercise price for all outstanding options previously granted by our company with an exercise price higher than US\$0.478 per ordinary share to US\$0.0613 per share, representing the closing price of our ADSs on the New York Stock Exchange, or the NYSE, on June 21, 2018. The market price of our ADSs had fallen as a result of the payment of the special dividend that we paid in connection with the series of transactions that we carried out at that time. See “Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction” for more information on those transactions.

The following table summarizes the outstanding share options granted to certain of our directors, executive officers and other individuals under the Plans as of February 28, 2019.

Name	Number of Ordinary Shares Underlying Outstanding Options ⁽¹⁾	Exercise Price (US\$/Share) ⁽¹⁾	Grant Date	Expiration Date
Joseph Chen	16,800,000	0.0613	April 5, 2012	April 4, 2022
	3,150,000	0.0613	March 22, 2013	March 21, 2023
	25,946,844	0.0613	May 19, 2014	May 18, 2024
	25,946,847	0.0613	May 19, 2014	May 18, 2024
James Jian Liu	39,752,430	0.0613	January 15, 2016	January 14, 2025
	5,400,000	0.0613	April 5, 2012	April 4, 2022
	1,050,000	0.0613	March 22, 2013	March 21, 2023
	8,850,000	0.0613	May 19, 2014	May 18, 2024
Hui Huang	8,850,000	0.0613	May 19, 2014	May 18, 2024
	*	0.0613	April 5, 2012	April 4, 2022
	*	0.0613	March 22, 2013	March 21, 2023
Chuanfu Wang	*	0.0613	June 14, 2012	June 13, 2022
	*	0.0613	March 22, 2013	March 21, 2023
He Li	*	0.0613	April 18, 2011	April 17, 2021
	*	0.0613	December 28, 2011	December 27, 2021
	*	0.0613	December 28, 2012	December 27, 2022
	*	0.0613	May 17, 2013	May 16, 2023
Other individuals as a group	*	0.0613	December 2, 2013	December 1, 2023
	1,686,480		(2)	(3)

* The aggregate beneficial ownership of our company held by the named grantee is less than 1% of our total outstanding shares.

(1) The number of share options granted and exercise prices in this table, including footnote 2, gives effect to the ten-for-one share split that became effective on March 25, 2011.

On December 28, 2012, we modified the exercise price of the outstanding share options previously granted that had exercise prices of US\$4.00 per ADS or higher, reducing them uniformly to US\$3.30 per ADS (US\$1.10 per ordinary share), which was the closing price of our ADS on the modification date. (These per ADS numbers have not been adjusted to give retroactive effect to the change in the number of ordinary shares represented by each ADS from three to fifteen that became effective on February 6, 2017.) Options exercisable for a total of 27,480,309 ordinary shares were modified. The total incremental cost as a result of the modification was US\$4.3 million, of which US\$0.9 million, US\$1.1 million, US\$1.1 million and US\$0.9 million was recognized as share-based compensation expense in 2012, 2013, 2014 and 2015 respectively, and the remaining balance will be amortized over the expected requisite service period.

On December 29, 2014, we modified the exercise price of the outstanding share options previously granted that had exercise price higher than US\$0.873 per ordinary share, reducing them uniformly to US\$0.873 per share, which was the average closing price during the period from December 8, 2014 through December 19, 2014, when the repricing was being discussed. Options exercisable for a total of 107,197,908 ordinary shares were modified. The total incremental cost as a result of the modification was US\$6.4 million, of which US\$5.2 million was recognized as share-based compensation expense in 2014 and 2015 and the remaining balance will be amortized over the expected requisite service period.

On December 23, 2015, we waived the award condition with respect to the options granted on May 19, 2014, Options exercisable for a total of 34,796,844 ordinary shares were modified. The total incremental cost as a result of the modification was US\$10.9 million, of which US\$4.4 million was recognized as share-based compensation expense in 2015 and the remaining balance will be amortized over the expected requisite service period.

On August 24, 2017, we modified the exercise price of the outstanding share options previously granted that had exercise price higher than US\$0.478 per ordinary share, reducing them uniformly to US\$0.478 per share. The total incremental cost as a result of the modification was US\$10.4 million, of which US\$7.4 million was recognized as share-based compensation expense in 2017 and the remaining will be amortized over the expected requisite service period.

On June 29, 2018, we modified the exercise price of the outstanding share options previously granted that had exercise prices higher than US\$0.0613 per ordinary share, reducing them uniformly to US\$0.0613 per share. The total incremental cost as a result of the modification was US\$10.8 million, of which US\$9.3 million was recognized as share-based compensation expense in 2018 and the remainder will be amortized over the expected requisite service period.

- (2) We granted share options to other individuals on the following dates and at the following exercise prices: (i) on March 2, 2006, 1,079,400 options with an exercise price of US\$0.001 per share; (ii) on March 2, 2006, 10,204,000 options and on October 9, 2007, 800,000 options, each with an exercise price of US\$0.08 per share; (iii) on March 2, 2006, 4,568,670 options and on October 21, 2010, 179,450 options, each with an exercise price of US\$0.10 per share; (iv) on March 2, 2006, 18,046,960 options, on October 9, 2007, 22,142,000 options, on January 31, 2008, 14,809,500 options, on October 15, 2009, 18,644,000 options, on March 10, 2010, 300,000 options, on June 1, 2010, 490,000 options and on October 21, 2010, 11,180 options, each with an exercise price of US\$0.18 per share; (v) on March 2, 2006, 1,243,880 options with an exercise price of US\$0.20 per share; (vi) on October 9, 2007, 100,000 options with an exercise price of US\$0.26 per share; (vii) on October 9, 2007, 300,000 options with an exercise price of US\$0.28 per share; (viii) on October 9, 2007, 100,000 options with an exercise price of US\$0.30 per share; (ix) on October 9, 2007, 925,000 options with an exercise price of US\$0.35 per share; (x) on October 9, 2007, 220,000 options with an exercise price of US\$0.38 per share; (xi) on January 4, 2011, 12,068,500 options, on April 18, 2011, 3,296,500 options, on September 23, 2011, 519,000 options, on December 28, 2011, 1,621,107 options, on April 5, 2012, 1,881,500 options, on April 30, 2012, 300,000 options, on December 28, 2012, 3,167,400 options, on March 22, 2013, 4,587,000 options, on May 17, 2013, 2,862,000 options, on August 30, 2013, 450,000 options, on December 2, 2013, 2,707,500 options, each with an exercise price of US\$0.478 per share. As of February 28, 2018, 118,567,172 options had been forfeited, cancelled or exercised.
- (3) Each option will expire after ten years from the grant date or such shorter period as the board of directors may determine at the time of its grant.

The following table summarizes the outstanding restricted share units granted to our executive officers and certain other individuals as of February 28, 2019 under the Plans adopted by Renren Inc.

Name	Number of Ordinary Shares Underlying Restricted Share Units Outstanding	Grant Date
Joseph Chen	9,029,637	January 15, 2016
James Jian Liu	3,588,517	July 31, 2018
Hui Huang	*	May 19, 2014
Hui Huang	*	January 1, 2015
Chuanfu Wang	*	May 19, 2014
Chuanfu Wang	*	April 15, 2015
Thomas Ren	*	September 30, 2015
Thomas Ren	*	February 1, 2016
Thomas Ren	*	July 31, 2018
Stephen Tappin	*	December 5, 2016
Tianruo Pu	*	December 5, 2016
Rita Yi	*	January 3, 2017
Rita Yi	*	July 31, 2018
He Li	*	May 19, 2014
He Li	*	October 17, 2014
He Li	*	April 15, 2015
He Li	*	February 1, 2016
He Li	12,975,825	July 31, 2018
Certain individuals as a group	47,850	May 15, 2015
Certain individuals as a group	825	June 15, 2015
Certain individuals as a group	8,040	November 1, 2015

Name	Number of Ordinary Shares Underlying Restricted Share Units Outstanding	Grant Date
Certain individuals as a group	207,015	February 1, 2016
Certain individuals as a group	50,190	June 15, 2016
Certain individuals as a group	78,180	March 22, 2017
Certain individuals as a group	223,627	September 1, 2017
Certain individuals as a group	11,638	December 8, 2017
Certain individuals as a group	26,265	January 16, 2018
Certain individuals as a group	45,231,559	July 31, 2018
Certain individuals as a group	1,039,710	October 11, 2018
Certain individuals as a group	1,925,415	February 19, 2019

* The aggregate beneficial ownership of our company held by the named grantee is less than 1% of our total outstanding shares.

On January 31, 2018, we adopted a Kaixin Auto Group 2018 Equity Incentive Plan for Kaixin Auto Group, whereby 40,000,000 ordinary shares of Kaixin Auto Group had been made available for granting or awarding to the employees and consultants of the company, either as incentive share options or as restricted shares. As of December 31, 2018, 36,461,500 shares have been granted or awarded to any of the employees and consultants of the Company under this plan.

Principal Terms of 2006, 2008 and 2009 Equity Incentive Plans adopted by Renren Inc.

The principal terms of the 2006 Equity Incentive Plan, the 2008 Equity Incentive Plan and the 2009 Equity Incentive Plan are substantially the same. The following paragraphs summarize the principal terms of these three plans and, unless otherwise specified below, the following summary applies to each of these plans.

Types of Awards and Exercise Prices. Three types of awards may be granted under the plans.

- *Incentive share options.* Incentive share options are share options which satisfy the requirements of Section 422 of the Internal Revenue Code of 1986. The exercise price of an incentive share option must be at least equal to the fair market value of the shares on the date of grant. If an employee, officer or director owns or is deemed to own more than 10% of the combined voting power of all classes of shares and an incentive share option is granted to such person, the exercise price for such incentive share option shall be at least 110% of the fair market value of the shares on the date of grant.
- *Nonqualified share options.* Nonqualified share options are share options which do not satisfy the requirements of Section 422 of the Internal Revenue Code of 1986. The exercise price of a nonqualified share option may be less than, equal to or greater than the fair market value of the shares on the date of grant.
- *Restricted share options.* Restricted share options are options to purchases ordinary shares which are subject to certain restrictions or limitations set forth in the plans or in the related award agreement, and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us during a restricted period. The exercise price of restricted share options may be determined by the plan administrator in the award agreement.

Plan Administration. The plan administrator is our board of directors or a committee of two or more members of our board. The plan administrator designates the eligible recipients and determines the award type, award period, grant date, performance requirements and such other provisions and terms not inconsistent with the plans in each award agreement.

Award Agreement. Incentive share options, nonqualified share options or restricted share options granted under the plans are evidenced by an award agreement that sets forth the terms, provisions, limitations and performance requirements for each grant.

Eligibility. At the discretion of the board of directors, we may grant awards to employees, officers, directors, outside directors or consultants of our company.

Transfer Restriction. Subject to certain exceptions, awards for incentive share options, nonqualified share options and restricted share options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered by the award holders.

Term of Awards. Unless otherwise provided in the award agreement by the plan administrator, each option shall expire after ten years from the grant date. If an employee, officer or director owns or is deemed to own more than 10% of the combined voting power of all classes of shares and an incentive share option is granted to such person, such incentive share option shall expire after five years from the grant date.

Vesting Schedule. The plan administrator may determine the vesting schedule and may provide additional vesting conditions in the award agreement to each recipient.

Amendment and Termination. The 2006 Equity Incentive Plan and the 2008 Equity Incentive Plan were terminated on September 15, 2013. Unless earlier terminated by the board or directors, the 2009 Equity Incentive Plan will terminate on December 31, 2019. In each case, grants made before the termination date will continue to be effective in accordance with their terms and conditions. Our board of directors may at any time by resolutions amend the 2009 Equity Incentive Plan, subject to certain exceptions.

Principal Terms of the 2011 and 2016 Share Incentive Plan adopted by Renren Inc.

The principal terms of the 2011 Share Incentive Plan (as amended) and the 2016 Share Incentive Plan are substantially the same. The following paragraphs summarize the principal terms of these two plans and, unless otherwise specified below, the following summary applies to each of these plans.

Types of Awards and Exercise Prices. The plans permit the grant of options to purchase our Class A ordinary shares, restricted shares and restricted share units as deemed appropriate by the plan administrator.

- *Options.* Options provide for the right to purchase a specified number of our Class A ordinary shares at a specified price and usually will become exercisable in the discretion of the plan administrator in one or more installments after the grant date. Options include incentive share options, which are share options which satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, and non-qualified share options, which do not satisfy these requirements. The exercise price of an option shall be determined by the plan administrator and set forth in the award agreement.
- *Restricted Shares.* A restricted share award is the grant of our Class A ordinary shares which are subject to certain restrictions or limitations set forth in the plan or in the related award agreement. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us during a restricted period. The exercise price of restricted share options may be determined by the plan administrator in the award agreement.
- *Restricted Share Units.* Restricted share units represent the right to receive our Class A ordinary shares at a specified date in the future. On the maturity date specified by the plan administrator, we will transfer to the participant one unrestricted, fully transferable share for each restricted share unit.

Plan Administration. The plans will be administered by the board of directors or the compensation committee of the board, or a committee of one or more directors to whom the board or the compensation committee shall delegate the authority to grant or amend awards to participants other than senior executives. As to the 2011 Share Incentive Plan (as amended), the plan administrator shall consist of at least two individuals, each of whom qualifies as an independent director. With respect to the awards granted to independent directors, the plan administrator shall be the board of directors. The plan administrator will determine the terms and conditions of each award grant.

Awards and Award Agreement. Awards granted under the plans are evidenced by award agreements that set forth the terms, conditions and limitations for each award, which may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Eligibility. We may grant awards to our employees, directors and consultants, as determined by our plan administrator.

Term of the Awards. The term of each award grant shall be determined by our plan administrator, provided that the term shall not exceed ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

Transfer Restrictions. Except as otherwise provided by our plan administrator, an award may not be transferred or otherwise disposed of by a participant other than by will or the laws of descent and distribution. Our plan administrator by express provision in the award or an amendment may permit an award (other than an incentive share option) to be transferred to or exercised by certain persons related to the participant.

Amendment and Termination of the Plan. With the approval of our board, our plan administrator may at any time amend, modify or terminate the plan, subject to certain exceptions. Unless earlier terminated by the board of directors, the 2011 Share Incentive Plan (as amended) will expire on April 14, 2021 and the 2016 Share Incentive Plan will expire on January 15, 2026.

C. Board Practices

Composition of Board of Directors

Our board of directors currently consists of six directors. A director is not required to hold any shares in the company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company must declare the nature of his interest at a meeting of the directors. Subject to the NYSE rules and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at the relevant board meeting at which such contract or transaction or proposed contract or transaction is considered. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors and independent director appointees has a service contract with us that provides for benefits upon termination of employment. As long as SB Pan Pacific Corporation and its affiliates continue to collectively hold over 50% of the number of our shares held by them as of May 9, 2011, they have the right to appoint one director to serve on our board of directors. Our board of directors currently does not contain a member appointed by SB Pan Pacific Corporation.

Code of Business Conduct and Ethics

Our code of business conduct and ethics provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises.

Duties of Directors

Cayman Islands law does not prescribe by statute the specific duties of directors of Cayman Islands companies and therefore the duties of directors are dictated by common law. Our directors have certain duties of care, diligence and skill as well as a fiduciary duty to act honestly and in good faith in the best interests of our company. Our directors must exercise the skills they actually possess. Our directors must exercise such care and diligence that a reasonably prudent person would exercise in comparable circumstances but will not be liable for errors of judgment and therefore they may rely upon opinions and advice of outsiders but must still exercise their business judgment based upon such advice. It was previously considered that a director needs not to exhibit in the performance of his or her duties a greater degree of skills 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 skills and care and these authorities are likely to be followed in the Cayman Islands. Our directors must also use their powers for a proper purpose. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated memorandum and articles of association, as amended from time to time. We have the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Terms of Directors and Executive Officers

Our officers are appointed by and serve at the discretion of the board of directors. Our directors are not subject to a set term of office and hold office until the next general meeting called for the election of directors and until their successor is duly elected or such time as they die, resign or are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will cease to be a director automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigns his office by notice in writing to our company; or (iv) is removed from office pursuant to any other provision of our memorandum and articles of association.

Committees of the Board of Directors

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

Audit Committee. Our audit committee consists of Mr. Tianruo Pu and Mr. Stephen Tappin. Mr. Pu is the chairman of our audit committee and our board of directors has determined that Mr. Pu is an audit committee financial expert. Mr. Pu and Mr. Tappin each satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving any proposed related party transaction, as defined in Item 404 of Regulation S-K under the Securities Act, involving over US\$120,000 in a single transaction or a series of related transactions;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal control and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent registered public accounting firm.

In 2018, our audit committee held meetings or passed resolutions by unanimous written consent three times.

Compensation Committee. Our compensation committee consists of Mr. Stephen Tappin and Mr. Tianruo Pu. Mr. Tappin is the chairman of our compensation committee. Mr. Tappin and Mr. Pu each satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer is prohibited from attending any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the total compensation package for our chief executive officer;
- reviewing and recommending to the board the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

In 2018, our compensation committee held meetings or passed resolutions by unanimous written consent two times.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Mr. Tianruo Pu and Mr. Chuanfu Wang, and is chaired by Mr. Pu. Mr. Pu and Mr. Wang each satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The corporate governance and nominating committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to the board the directors to serve as members of the board’s committees;
- advising the board periodically with respect 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 corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2018, our corporate governance and nominating committee held meetings or passed resolutions by unanimous written consent one time.

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate an executive officer’s employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including, but not limited to, a conviction or plea of guilty to a felony, willful misconduct to our detriment or a failure to perform agreed duties. We may also terminate an executive officer’s employment without cause by a one-month prior written notice. An executive officer may terminate his or her employment with us by a one-month prior written notice for certain reasons, in which case the executive officer is entitled to the same severance benefits as in the situation of termination by us without cause.

Our executive officers have also agreed not to engage in any activities that compete with us, or to directly or indirect solicit the services of our employees, for a period of one year after termination of employment. Each executive officer has agreed to hold in strict confidence any confidential information or trade secrets of our company. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material corporate and business policies and procedures of our company.

D. Employees

We had 988, 1,368 and 1,157 full-time employees as of December 31, 2016, 2017 and 2018, respectively. The following table sets forth the number of our employees by function as of December 31, 2018:

Functional Area	Number of Employees	% of Total
Management and administration	152	13
Sales and marketing	401	35
Operations	205	18
Research & development	399	34
Total	1,157	100

As of December 31, 2018, we had 443 employees located in Beijing, 627 employees located in other cities in China, 47 employees located in the United States and 40 employees located in the Philippines.

As of December 31, 2018, 566 of our full-time employees were Kaixin employees, of whom 163 were based in Beijing and 403 were located in other cities in China.

We believe that 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 for our Kaixin business in areas such as big data analytics, AI, marketing and operations, risk management and sales as we expand the business.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, 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 local government regulations from time to time.

We enter into employment agreements with our employees. Our senior management enters into employment agreements with confidentiality and non-competition terms. The non-competition restricted period typically expires one year 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 with respect to the beneficial ownership of our ordinary shares (including Class A ordinary shares represented by our ADSs), as of February 28, 2019, by:

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

The calculations in the table below are based on 1,044,891,318 ordinary shares outstanding as of February 28, 2019, including 739,502,868 Class A ordinary shares and 305,388,450 Class B ordinary shares. Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our ordinary shares. In computing the number of ordinary shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned		
	Number	% (1)	% of Voting Power (2)
Directors and Executive Officers:			
Joseph Chen ⁽³⁾	368,526,211	32.4	48.9
James Jian Liu ⁽⁴⁾	55,963,575	5.2	1.4
Hui Huang ⁽⁵⁾	*	*	*
Chuanfu Wang ⁽⁶⁾	*	*	*
Stephen Tappin ⁽⁷⁾	*	*	*
Tianruo Pu ⁽⁸⁾	*	*	*
Thomas Jintao Ren ⁽⁹⁾	*	*	*
Rita Yi ⁽⁹⁾	*	*	*
He Li ⁽⁹⁾	*	*	*
All directors and executive officers as a group ⁽¹⁰⁾	434,992,353	37.2	50.2
Principal Shareholders:			
SoftBank Group Capital Limited and affiliate ⁽¹¹⁾	405,388,451	38.8	42.7
DCM and affiliates ⁽¹²⁾	87,929,865	8.4	2.3
Oasis Investments II Master Fund Ltd. ⁽¹³⁾	59,802,315	5.7	1.6

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

- (1) For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group by the sum of the number of ordinary shares outstanding and the number of ordinary shares such person or group has the right to acquire upon exercise of the share options or warrants within 60 days of February 28, 2019.
- (2) 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 with respect to all of our Class A and Class B ordinary shares as a single class. Each holder of our Class B ordinary shares is entitled to ten votes per share and each holder of Class A ordinary shares is entitled to one vote per share held by our shareholders on all matters submitted to them for a vote. Subject to certain exceptions, our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis.
- (3) Represents (i) 170,258,970 Class B ordinary shares held by Mr. Joseph Chen, (ii) 103,386,106 Class A ordinary shares held by Mr. Joseph Chen, among which 99,999,990 Class A ordinary shares are represented by 6,666,666 American depositary shares, (iii) 93,376,215 Class A ordinary shares issuable upon exercise of options held by Mr. Chen that that are exercisable within 60 days after February 28, 2019, and (iv) 1,504,920 Class A ordinary shares vested or upon vesting of Mr. Chen's restricted share units within 60 days after February 28, 2019. See the two paragraphs following this table for more information on Class A and Class B ordinary shares. The business address of Mr. Chen is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, People's Republic of China.
- (4) Represents (i) 31,365,107 Class A ordinary shares held by Mr. James Jian Liu, (ii) 24,150,000 Class A ordinary shares issuable upon exercise of options held by Mr. Liu that are exercisable within 60 days after February 28, 2019, and (iii) 448,470 Class A ordinary shares vested or upon vesting of Mr. Liu's restricted share units within 60 days after February 28, 2019. The business address of Mr. Liu is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, People's Republic of China.
- (5) The business address of Ms. Huang is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Beijing, 100016, People's Republic of China.
- (6) The business address of Mr. Wang is No. 3009, BYD Road, Pingshan, Shenzhen, 518118, People's Republic of China.
- (7) The business address of Mr. Tappin is Business Clubs Ltd, 2nd Floor, 1-2 Alfred Place, London, WC1E 7EB.
- (8) The business address of Mr. Pu is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Beijing, 100016, People's Republic of China.
- (9) The business address of each of Mr. Ren, Ms. Yi and Mr. Li is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Beijing, 100016, People's Republic of China.
- (10) Certain directors and executive officers have been granted options pursuant to our 2006, 2008 and 2009 Equity Incentive Plans and our 2011 and 2016 Share Incentive Plan. See "Item 6.B—Directors, Senior Management and Employees—Compensation—Equity Incentive Plans."
- (11) The number of ordinary shares beneficially owned is as of December 31, 2018, as reported in a Schedule 13G/A filed by SoftBank Corp. on February 8, 2019, and consists of 270,258,971 Class A ordinary shares and 135,129,480 Class B ordinary shares held by SoftBank Group Capital Limited. See the two paragraphs following this table for more information on Class A and Class B ordinary shares. SoftBank Group Capital Limited is a corporation established under the laws of England and Wales, and is a wholly owned subsidiary of SoftBank Corp. SoftBank Corp. is a corporation established under the laws of Japan, and is a public company listed on the Tokyo Stock Exchange. On January 31, 2011, SoftBank Corp. transferred 2,582,200 series C preferred shares and 402,870,510 series D preferred shares to SB Pan Pacific Corporation, and, immediately prior to the completion of our initial public offering in May 2011, 135,129,480 of these series D preferred shares were converted into Class B ordinary shares on a one-to-one basis and the rest of the preferred shares held by SB Pan Pacific Corporation were converted into Class A ordinary shares on a one-to-one basis. In September 2018, SB Pan Pacific Corporation transferred all of our Class A ordinary shares and Class B ordinary shares held by it to SoftBank Group Capital Limited, as a part of an intracompany transfer. The business address for SoftBank Group Capital Limited is 69 Grosvenor Street, London, W1K 3JP, United Kingdom, and the business address for SoftBank Corp. is 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan.
- (12) The number of ordinary shares beneficially owned is as of December 31, 2018 as reported in a Schedule 13G/A filed by DCM (as defined below) and affiliates on February 11, 2018, and consists of (i) 81,768,285 Class A ordinary shares that are represented by 5,451,219 ADSs which are directly owned by DCM III, L.P., (ii) 2,166,501 Class A ordinary shares that are represented by 144,433 ADSs which are directly owned by DCM III-A, L.P. and (iii) 3,995,085 Class A ordinary shares that are represented by 266,339 ADSs which are directly owned by DCM Affiliates Fund III, L.P. We refer to these three entities collectively as "DCM." DCM Investment Management III, LLC is the general partner of each of these three entities and may be deemed to have sole power to vote and dispose of the Class A ordinary shares held by them. In addition, Mr. David Chao, the managing member of DCM Investment Management III, LLC, may be deemed to have shared power to vote and dispose of those Class A ordinary shares. Mr. Chao also owns 2,310,450 shares (represented by 168,325 ADSs), of which 566,875 Class A ordinary shares are issuable upon the exercise of options. The business address of DCM Ventures is 2420 Sand Hill Road, Suite 200 Menlo Park, CA 94025.
- (13) The number of ordinary shares beneficially owned is as of December 31, 2018 as reported in a Schedule 13G/A filed by Oasis (as defined below) on February 14, 2018, and consists of 59,802,315 Class A ordinary shares which are directly held by Oasis Investments II Master Fund Ltd, a Cayman Islands exempted company. Oasis Management Company Ltd., a Cayman Islands exempted company, is the investment manager of Oasis Investments II Master Fund Ltd. We refer to these two entities collectively as "Oasis." Mr. Seth Fischer, is responsible for the supervision and conduct of all investment activities of the Oasis Management Company Ltd., including all investment decisions with respect to the assets of the Oasis Investments II Master Fund Ltd., with respect to the Class A Ordinary Shares held by the Oasis Investments II Master Fund Ltd., may be deemed to have shared power to vote and dispose of those Class A ordinary shares. The address of the business office of Mr. Seth Fischer is c/o Oasis Compliance, Oasis Management (Hong Kong), 21st Floor, Man Yee Building, 68 Des Voeux Road, Central, Hong Kong. The address of the business office of each of Oasis Management and the Oasis II Fund is Ugland House, PO Box 309 Grand Cayman, KY1-110, Cayman Islands.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering in May 2011. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while 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 thereof 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 equal number of Class A ordinary shares. See “Item 10.B—Additional Information—Memorandum and Articles of Association—Ordinary Shares” for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

To our knowledge, as of February 28, 2019, a total of 470,433,155 Class A ordinary shares were held by 33 record holders in the United States, including Citibank, N.A., the depository of our ADS program, and 170,258,970 Class B ordinary shares were held by one record holder in the United States. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. To our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly.

For the options granted to our directors, officers and employees, please refer to “Item 6.B—Directors, Senior Management and Employees—Compensation—Equity Incentive Plans.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to “Item 6.E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with Our Consolidated Affiliated Entities

Please refer to “Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.”

Related Party Transactions with Our Major Shareholder

In 2006, we entered into an agreement to make a loan of US\$0.2 million to Ms. Guolan Liu, who is the mother-in-law of our chief executive officer, for her investment into Beijing Hulian Shidai Telecom Technology Co., Ltd. The period of the loan was 10 years. In 2016, we received US\$7.2 million from Ms. Liu for the repayment of the loan, representing all the proceeds directly or indirectly received by Ms. Liu through this investment. We recorded US\$7.0 million of other income in the year ended December 31, 2016.

In 2015, we acquired a 7.5% equity interest in Beautiful Legend Co., Ltd., an entity of which the wife of our chairman and chief executive officer, Joseph Chen, is a majority shareholder. We accounted for the investment as a cost method investment and the carrying amount was US\$4.6 million as of December 31, 2015. In January 2017, we acquired 1,150,000 shares for a total consideration of US\$2.9 million, representing a 5% equity interest, in Shanghai Xingmi Network Technology Joint Stock Limited Company from Beautiful Legend Co., Ltd. In January 2017, we acquired a 5% equity interest in Beijing Caiqiu Century Technology Co., Ltd. from Beautiful Legend Co., Ltd., for a total consideration of US\$1.5 million.

In December 2018, we disposed of all tangible and intangible assets in our SNS platform and the related business, including Renren mobile live streaming, to Beijing Infinities Interactive Media Co., Ltd. for cash consideration of US\$20 million and shares in the purchaser’s parent company, Infinities Technology (Cayman) Holding Limited, with a value of US\$40 million, based on an agreed-upon estimated valuation of US\$700 million for the parent company. Oak Pacific Holdings, a company controlled by Mr. Joseph Chen, our chairman and chief executive officer, and Mr. James Jian Liu, our executive director and chief operating officer, controls one of the minority shareholders of the purchaser.

Related Party Transactions with Our Long Term Investments

Social Finance Inc.

In July 2012, we purchased US\$10.0 million Series 2012-A Senior Secured Refi Loan Notes issued by SoFi Lending Corp., a subsidiary of Social Finance Inc. Oak Pacific Holdings is a shareholder of Social Finance Inc. and our chairman and chief executive officer, Joseph Chen, is a director of Social Finance Inc. The note had a maturity date of July 3, 2032 and a fixed annual interest rate of 4% with no redemption feature. We received return of principal of US\$5,879,000 and earned interest of US\$181,000 in 2016. In December 2016, SoFi Lending Corp. elected to repay the loan notes in advance, and we therefore received all the remaining principal and earned interest in cash. We disposed of our interest in Social Finance Inc. in June 2018 as part of the OPI Transaction.

Golden Axe Inc.

In December 2015, we acquired a 2% equity interest in Golden Axe Inc. and accounted for the investment using equity method as we are able to exercise significant influence over Golden Axe Inc. In 2015, we provided a loan of US\$11.2 million to Golden Axe Inc. and recorded US\$0.2 million interest. As of December 31, 2015, Golden Axe Inc. owed us US\$16.0 million for the loan. Of this amount, US\$10.8 million was repaid to us in 2016 and the remainder was converted into equity.

268V Limited

In January 2015, we acquired a 20.00% equity interest in 268V Limited and accounted for it as an available-for-sale investment. In 2015, 2016 and 2017, we purchased about US\$42,000, US\$238,000 and US\$333,000 of used automobile services from 268V Limited, respectively. As of December 31, 2017, our company owed 268V Limited US\$40,000 for these services, which amount was unsecured, non-interest bearing and payable on demand. In 2016, we provided a loan of US\$3 million to 268V Limited. We disposed of our interest in 268V Limited in June 2018 as part of the OPI Transaction.

Eall Technology Limited

In October 2014, we acquired a 20.4% equity interest in Eall Technology Limited and accounted for it as an available-for-sale investment. In May 2016, we provided a loan of RMB70 million (US\$11 million) to Tianjin Yi Chuang Xin He Information Technology Co., Ltd., a subsidiary of Eall Technology Limited. In May 2016, Eall Technology Limited provided a loan of US\$10.7 million to us. We disposed of our interest in Eall Technology Limited in June 2018 as part of the OPI Transaction.

Eunke Technology Ltd.

In March 2015, we acquired a 19.29% equity interest in Eunke Technology Ltd. and accounted for it as a cost method investment. In August 2016, we provided a loan of US\$871,000 to Loji Logistics Ltd., a subsidiary of Eunke Technology Ltd., and recorded US\$12,000 in interest. In 2017, we provided a loan of US\$8,452,000 to Loji Logistics Ltd., and recorded US\$139,000 in interest. As of December 31, 2017, Loji Logistics Ltd. owed us nil for the loan and the deposit paid by Loji Logistics Ltd. was US\$154,000. We disposed of our interest in Eunke Technology Ltd. in June 2018 as part of the OPI Transaction.

KoolRay Vision Inc.

In January and July 2017, we provided a loan of RMB10 million (US\$1.5 million) and RMB2 million (US\$0.3 million) to Kuwei Optics Technology (Shanghai) Co., Ltd., a subsidiary of KoolRay Vision Inc., in which we own a 39.06% equity interest. We disposed of our interest in KoolRay Vision Inc. in June 2018 as part of the OPI Transaction.

Related Party Transactions with Oak Pacific Investment

Oak Pacific Investment issued a note to Renren as part of the OPI Transaction in June 2018. In March 2019, the interest rate was increased to from 8% per year to 8.5% per year in connection with a refinancing of Oak Pacific Investment's debt obligations.

The transactions described above were approved by the independent, disinterested members of our board and the audit committee of the board in all cases where we were a public company and the counterparty was a related party at the time of the transaction or had been prior to the time of the transaction.

Employment Agreement

Please refer to “Item 6.C—Directors, Senior Management and Employees Board Practices—Employment Agreements.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

On July 19, 2018, two of our shareholders brought a shareholder derivative suit on behalf of Renren, as a nominal defendant, against Joseph Chen, our chief executive officer and chairman of the board of directors and David Chao, a former director. On December 5, 2018, another derivative suit was filed by a shareholder on behalf of Renren, as nominal defendant, against Joseph Chen, David Chao, several DCM entities, and Duff & Phelps, financial advisor to the special committee of the board of directors. On January 11, 2019, the plaintiffs in the two actions filed a joint motion to file a consolidated derivative complaint by February 1, 2019. On February 27, 2019, the court granted the consolidation motion and consolidated the cases under the caption *In re Renren, Inc. Derivative Litigation*, Index No. 653594/2018 (Sup. Ct. N.Y. Cty.). On March 7, 2019, plaintiffs filed a consolidated complaint in the consolidated case against Joseph Chen, David Chao, the DCM entities, Duff & Phelps, and Oak Pacific Investment. The complaint alleges that the valuation assigned to Oak Pacific Investment for purposes of the OPI Transaction undervalued the assets held by Oak Pacific Investment by several hundred million dollars and that the director defendants used the OPI Transaction to enrich themselves at the expense of other shareholders. The complaint further alleges that Duff & Phelps and the DCM Entities aided in the alleged acts relating to the OPI Transaction and that Oak Pacific Investment knowingly received the alleged improperly transferred assets. There are no claims asserted against Renren, but Renren may be subject to claims by certain of the defendants. On May 1, 2019, the court ordered a schedule for the briefing of several threshold issues, including service of process, jurisdiction and plaintiffs' standing to pursue their claims. Renren and the defendants filed their motions to dismiss on these issues on May 10, 2019. The action otherwise remains in its preliminary stages.

In August 2018, a notice from the Shandong Luokou police bureau was placed at the location of our Ji'nan dealership. This notice stated that there is an ongoing investigation concerning the dealership premises, and relevant persons must cooperate with the investigation. We understand that the investigation concerns an individual who holds 30% of Ji'nan dealership's equity interest, and not the Ji'nan dealership itself. However, because of the co-location of certain business and assets of the Ji'nan dealership and its 30% minority shareholder, certain vehicles owned by the Ji'nan dealership were not permitted to be disposed of, pursuant to certain pre-trial measures taken by local law enforcement authorities. The Ji'nan dealership has ceased operations pending the resolution of these proceedings. In connection with these events, Kaixin has written off all the inventory held by the Ji'nan dealership, as well as its advances to suppliers, which amounted to US\$5.7 million and US\$16.1 million.

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims and other matters. Internet media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights and other allegations based on the content available on their website or services they provide. See “Item 3.D. Risk Factors—Risks Related to Our Business and Industry—We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our website or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.” Although such proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome, however, any litigation can have an adverse impact on us because of defense costs, diversion of management's attention and other factors.

Dividend Policy

In June 2018, we paid a cash dividend of US\$0.6125 per ordinary share, or US\$9.1875 per ADS, to all of our shareholders as of 5:00 p.m. Eastern time on June 14, 2018, other than those shareholders who had waived the cash dividend in connection with the OPI Transaction. The aggregate amount of the cash dividend was approximately US\$134.3 million.

Other than the aforementioned cash dividend, we have not paid any cash dividends on our ordinary shares in the past. We do not expect to pay regular dividends in the foreseeable future. The payment of the cash dividend in June 2018 represents an exception to our dividend policy rather than a change to it. 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 we are a holding company, we rely, in part, on dividends paid to us by our PRC subsidiary for our cash requirements, including funds to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. In China, the payment of dividends is subject to limitations. PRC laws and regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Under current PRC laws and regulations, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until such reserve funds reach 50% of their registered capital. At the discretion of our PRC subsidiary, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves may not be distributed as cash dividends. Further, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. See “Item 3.D. Risk Factors—Risks Related to Our Corporate Structure and the Regulation of Our Business—We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.”

Subject to our memorandum and articles of association and certain restrictions under Cayman Islands law, our board of directors has complete discretion on whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, they will be paid in accordance with Cayman Islands law, which provides, in summary, that dividends may be paid out of profits and/or our share premium account provided that in the case of our share premium account, no such distribution or dividend paid to our shareholders will cause us to be unable to pay our debts as they fall due in the ordinary course of our business. In addition, the Companies Law (2018 Revision) of the Cayman Islands prevents us from offering our shares or securities to individuals within the Cayman Islands, which may limit our ability to distribute a dividend comprised of our shares or other securities. We will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares” in our registration statement on Form F-1 (File No. 333-173548), as amended, initially filed with the SEC on April 15, 2011. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

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

Item 9. The Offer and Listing

A. Offering and Listing Details

See “—C. Markets”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing fifteen Class A ordinary shares, have been listed on the NYSE since May 4, 2011 and trade under the symbol “RENN.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and the Companies Law (2018 Revision) of the Cayman Islands, which is referred to below as the Companies Law, and the common law of the Cayman Islands.

The following are summaries of the material provisions of our amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As set forth in article 3 of our memorandum of association, the objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6.C. Directors, Senior Management and Employees—Board Practices—Composition of Board of Directors” and “Item 6.C. Directors, Senior Management and Employees—Board Practices—Terms of Directors and Executive Officers.”

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law. The Companies Law provides, in summary, that dividends may be paid out of profits and/or our share premium account provided that no such distribution or dividend paid to our shareholders will, immediately after this payment, cause us to be unable to pay our debts as they fall due in the ordinary course of our business.

Conversion. 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. All Class B ordinary shares beneficially owned by a holder and such holder's affiliates will automatically convert into the same number of Class A ordinary shares if the holder and its affiliates collectively own less than 50% of the total shares held by them immediately upon the completion of our initial public offering in May 2011. In addition, upon any transfer of Class B ordinary shares by a holder to any person or entity which is not over 50% owned by, or is not a direct family member of, the original holder, such Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares. Furthermore, if a holder of the Class B ordinary shares transfers Class B ordinary shares to any entities in which the original holder owns over 50% but less than 100%, the number of Class B ordinary shares equal to the product of (X) the total number of Class B ordinary shares so transferred; and (Y) the difference between 100% and the percentage of ownership held by the original holder in the transferee shall be automatically and immediately converted into an equal number of Class A ordinary share.

Voting Rights. In respect of matters requiring shareholders' votes, each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to ten votes. In addition, the following matters are subject to the approval by the holders representing a majority of the aggregate voting power of our company, the holders of a majority of total outstanding Class A ordinary shares and, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, the approval of SB Pan Pacific Corporation: (i) a change of control event, and (ii) election of director(s) to the board at an annual general meeting. In addition, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, we need to obtain SB Pan Pacific Corporation's approval for the following matters: (i) issuance of ordinary shares, or of securities convertible into or exercisable for ordinary shares, in the aggregate in excess of 10% of the number of all ordinary shares outstanding immediately prior to the issuance of such shares or securities on an as-converted basis in any 12-month period, (ii) acquisition of major assets or business for consideration exceeding 10% of our company market capitalization; (iii) disposals of our material assets with a value exceeding 5% of our company's market capitalization; or (iv) any amendment to our amended and restated memorandum and articles of association that specifically adversely affects the rights of SB Pan Pacific Corporation. In addition, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, SB Pan Pacific Corporation and its affiliates will have the right to collectively appoint one director and the exclusive right to remove such director.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative holding not less than an aggregate of one-third of all voting power of the shares in issue entitled to vote at the general meeting. Shareholders' meetings may be held annually and may be convened by any one of our directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-fifth of the voting power of our share capital. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and other shareholders' meetings.

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

Transfer of Shares. Subject to the restrictions of our amended and restated memorandum and articles of association, which allows our directors to decline to register a transfer of any share which is not fully paid or on which we have a lien and to decline to recognize an instrument of transfer should it fail to comply with the form prescribed by our board or our transfer agent, 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, and we will take all steps necessary to ensure that the transferee is entered on the register of members in order for the transfer to be effective. We understand that no further approval by any authority in the Cayman Islands will be required in order for the transfer of shares to be effective.

Liquidation. On a liquidation or winding up, distribution or payment shall be made to the holders of ordinary shares. Considerations received by each Class B ordinary share and Class A ordinary share should be the same in any liquidation event. 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 proportionally.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption of Shares. The provisions of the Companies Law, in summary, provides that provided our amended and restated articles of association permit it, we may issue shares which are to be redeemed or are liable to be redeemed at the option of our directors or a shareholder. In addition, the Companies Law allows us to purchase our own share, including any redeemable shares. Shares to be purchased or redeemed must be fully paid and there must remain at least one shareholder of the company holding shares. Share re-purchases or redemptions may be funded out of profits, capital or share premium, but to the extent funds other than profits are used, it is statutorily required that we be able to pay our debts as they fall due in our ordinary course of business following such a purchase or redemption. Subject to these provisions, our amended and restated articles of association allow us to issue shares on terms that are subject to either re-purchase by us or redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by special resolution.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of our amended and restated articles of association, be varied either with the written consent of the holders of a 75% of the issued shares of that class or 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 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 in priority to or pari passu with such previously existing shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records, with the exception that, pursuant to statutory requirements, any of our creditors or shareholder may inspect our register of mortgages and charges, which includes details of any mortgage and change over our assets. We will provide our shareholders with annual audited financial statements.

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

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- establish advance notice requirements for nominating board of directors nominees or for proposing matters that can be acted on by shareholders at annual shareholder meetings.

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

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts, other than in the ordinary course of business or those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See also “Item 4.B—Information on the Company—Business Overview—Regulation—Regulations on Foreign Exchange.”

E. Taxation

The following discussion of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our Class A ordinary shares or ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the Class A ordinary shares or ADSs, such as the tax consequences under U.S. state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it is the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, and to the extent it relates to PRC tax law, it is the opinion of TransAsia Lawyers, our PRC counsel.

Cayman Islands Taxation

We are an exempted company incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company.

People’s Republic of China Taxation

We are a holding company incorporated in the Cayman Islands, and 100% of our equity interests in our PRC subsidiaries are held indirectly through our offshore holding companies. Our business operations are principally conducted through our PRC subsidiaries and consolidated affiliated entities. The Enterprise Income Tax Law provides that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%. Under the Enterprise Income Tax Law, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered to be PRC tax resident enterprises for tax purposes. If we are considered a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

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

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations of the ownership and disposition of our ADSs or ordinary shares. This summary applies only to investors that are U.S. Holders (as defined below) and that hold our ADSs or ordinary shares as capital assets. This discussion is based upon existing United States federal tax law, including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing, temporary and proposed regulations thereunder, published rulings and court decisions, all of which are subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships (or other entities treated as partnerships for United States federal income tax purposes) and their partners and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our stock (by vote or value), holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar), all of whom may be subject to tax rules that differ significantly from those summarized below.

In addition, this discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or foreign tax laws or the Medicare tax on certain net investment income. We have not sought, and will not seek, a ruling from the Internal Revenue Service (the "IRS"), or an opinion as to any U.S. federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court.

General

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

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

Our company is an exempted company incorporated under the laws of the Cayman Islands. As such, our company believes that it is not a United States corporation for United States federal income tax purposes. Under certain provisions of the Code and regulations, however, if pursuant to a plan (or a series of related transactions), a non-United States corporation such as our company acquires substantially all of the assets of a United States corporation, and after the acquisition 80% or more of the stock (by vote or value) of the non-United States corporation (excluding stock issued in a public offering related to the acquisition) is owned by former shareholders of the United States corporation by reason of their ownership of the United States corporation, the non-United States corporation will be considered a United States corporation for United States federal income tax purposes. Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Code might apply to us, our company's conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. You are urged to consult your tax advisor concerning the income tax consequences of purchasing, holding or disposing of ADSs or ordinary shares if we were to be treated as a United States domestic corporation for United States federal income tax purposes. The remainder of this discussion assumes that our company is treated as a non-United States corporation for United States federal income tax purposes.

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

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

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as a passive asset and the company’s unbooked intangibles are taken into account. Passive income is any income that would be foreign personal holding company income under the Code, including dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and income from notional principal contracts. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements. If it were determined, however, that we were not the owner of the above mentioned entities for United States federal income tax purposes, then we would likely be treated as a PFIC even if we would not otherwise have been treated as a PFIC for that particular year.

We believe we were classified as a PFIC for the taxable year ended December 31, 2018. Our PFIC status for the current taxable year ending December 31, 2019 will not be determinable until after the close of the year, and we may also be classified as a PFIC for such taxable year and in future taxable years. Our PFIC classification for any particular year will depend on the value of our ordinary shares and ADSs, the nature of our assets and income over time, and the nature of our business. There can be no assurance that we will not be a PFIC for any future taxable year, even now that we hold fewer passive investment assets as a result of the OPI Transaction.

If we are a PFIC, our ADSs or ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which a U.S. Holder holds our ADSs or ordinary shares, unless we cease to be a PFIC and the U.S. Holder makes a “deemed sale” election with respect to the ADSs or ordinary shares. If you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value as of the last day of the last year during which we were a PFIC (the “termination date”). Any gain from such deemed sale would be subject to the consequences described below under “—Passive Foreign Investment Company Rules.” You are urged to consult your tax adviser regarding our possible status as a PFIC as well as the benefit of making a deemed sale election.

Dividends

If we are not a PFIC, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to provide our earnings and profits on the basis of United States federal income tax principles, you should assume that any distribution paid will generally be treated as a “dividend” for United States federal income tax purposes. A non-corporate U.S. Holder that is the recipient of dividend income generally will be subject to tax on dividend income from a “qualified foreign corporation” at the lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the NYSE, which is an established securities market in the United States, and our ADSs are readily tradable. Thus, we believe that dividends we pay on our ADSs would meet the conditions required for the reduced tax rates if we are not a PFIC. Since we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for these reduced tax rates. Dividends received on our ADSs or ordinary shares will not be eligible for the dividend received deduction allowed to corporations.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. In such case, we may, however, be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by our ADSs, would be eligible for the reduced rates of taxation applicable to qualified dividend income, as discussed above, if we are not a PFIC.

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

If we are a PFIC, the rules described above would generally only apply to distributions that were not “excess distributions” received by a U.S. Holder who does not make a mark-to market election (described below).

Sale or Other Disposition of ADSs or Ordinary Shares

If we are not a PFIC, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Capital gains of non-corporate U.S. Holders derived from capital assets held for more than one year are currently eligible for reduced rates of taxation. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, such gain may be treated as PRC source gain under the United States-PRC income tax treaty. The deductibility of a capital loss is subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

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

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

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-United States subsidiary that is a PFIC (each such subsidiary, a lower-tier PFIC) and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC is permitted to make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remain listed on the NYSE and are regularly traded. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes a valid mark-to-market election, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs or ordinary shares during any taxable year in respect of which we were a PFIC and continues to hold such ADSs or ordinary shares (or any portion thereof) and has not previously made a mark-to-market election, but who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or ordinary shares through the use of a “deemed sale” election, as discussed above under “—Passive Foreign Investment Company Considerations.”

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

In certain circumstances, a shareholder in a PFIC may avoid the adverse tax consequences of the excess distribution regime described above if such shareholder can, and does, make a timely “qualified electing fund” election to include in income its pro rata share of the PFIC’s ordinary income and net capital gain on a current basis. In general, a U.S. Holder may make a qualified electing fund election only if we provide U.S. Holders with a “PFIC Annual Information Statement” that would allow the U.S. Holder to compute its pro rata share of our ordinary earnings and net capital gain determined under U.S. federal income tax principles. We currently do not separately compute income and loss in accordance with U.S. federal income tax principles and, accordingly, U.S. Holders may not be able to make a qualified electing fund election.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the U.S. Holder will be required to file an annual IRS Form 8621 and must report any “excess distributions” with respect to our ADSs or ordinary shares during the year and other forms as may be required by the United States Treasury Department. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding and disposing ADSs or ordinary shares, including the possibility of making a mark-to-market election, the potential unavailability of the election to treat us as a qualified electing fund and the potential for the OPI Transaction to result in the recognition of an “excess distribution” under the PFIC rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed our registration statement on Form F-1 (Registration No. 333-173548), including the prospectus contained therein, with the SEC to register our Class A ordinary shares. We have also filed a related registration statement on Form F-6 (Registration No. 333-173515) with the SEC to register the ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Reports and other information, when so filed, may be accessed on the SEC website at www.sec.gov. Copies of reports and other information may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A, the depository of our ADSs, all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us. We will file our annual report on Form 20-F, including our audited financial statements, with the SEC. Our annual report on Form 20-F can be accessed on the SEC's website as well the investor relations section of our website. Investors may request a hard copy of our annual report, free of charge, by contacting us.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We had an exchange loss on offshore bank accounts of approximately nil in 2016, 2017 and 2018.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while our ADSs are traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. As of December 31, 2018, we had RMB-denominated cash and term deposits totaling RMB76.4 million (US\$11.1 million) and U.S. dollar-denominated cash and term deposits totaling US\$4.2 million.

Interest Rate Risk

Approximately 21.5% of our total assets is comprised of a fixed-rate note that was issued to Renren by Oak Pacific Investment in June 2018. The principal amount of the note was US\$90,000,000, the interest rate was 8% per year, and the term was the earlier of five years and the date upon which Oak Pacific Investment and its subsidiaries no longer hold any shares of Social Finance Inc. In March 2019, the interest rate was increased to 8.5% per year in connection with a refinancing of Oak Pacific Investment's debt obligations. The amount current owed to us under the note is approximately US\$93.9 million. This note bears interest at a fixed rate and so is subject to interest rate risk resulting in change in fair value from market fluctuations in interest rates. However, because the note only has slightly more than four years remaining on its term and we intend to hold it until maturity, we do not believe that the risk from market fluctuations in interest rates is material.

We also have exposure to interest rate risk relating to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. Because we do not have a large amount of excess cash beyond the needs of our business for working capital, we do not believe that the risk from market fluctuations in interest rates is material.

Credit Risk

We have significant credit exposure to a privately held company that is a related party of ours. Approximately 21.5% of our total assets is comprised of the note that was issued to Renren by Oak Pacific Investment in June 2018. See "Item 3.D. Risk Factors—Risks Related to Our Business and Industry—We have significant credit exposure to a related party."

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2016, 2017 and 2018 were increases of 2.1%, 1.8% and 1.9%, 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

Fees and Charges Our ADS Holders May Have to Pay

Citibank, N.A., is the depository of our ADS program. Set forth below is a summary of fees holders of our ADSs may be required to pay for various services the depository may provide:

Service	Fee
Issuance of ADSs	Up to US\$0.05 per ADS issued
Cancellation of ADSs	Up to US\$0.05 per ADS canceled
Distribution of cash dividends or other cash distributions	Up to US\$0.05 per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	Up to US\$0.05 per ADS held exercise of rights
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
Depository services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depository
Transfer of ADRs	US\$1.50 per certificate presented for transfer

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

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

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

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

The fees and charges ADS holders may be required to pay may vary over time and may be changed by us and by the depository. ADS holders will receive prior notice of such changes.

Fees and Other Payments Made by the Depository to Us

The depository has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADS program, including investor relations expenses and exchange application and listing fees. There are limits on the amount of expenses for which the depository will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depository collects from investors. In 2016, 2017 and 2018, we received approximately US\$1.7 million, nil and US\$0.8 million, respectively, net of applicable withholding taxes in the United States, from the depository as reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

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

Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective, due to the material weakness in our internal control over financial reporting as described below.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC’s rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles, and 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 a company’s assets, (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 a company’s receipts and expenditures are being made only in accordance with authorizations of a company’s management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company’s assets that could have a material effect on the consolidated financial statements. Due to its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation, and 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 and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2018, using criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management identified one material weakness in our internal control over financial reporting, as follows:

- Inadequate controls designed over the accounting of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP. Specifically, management concluded that it lacked sufficient accounting and financial reporting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address the complex accounting issues involved in the application of purchase accounting principles in connection with the acquisition of used automobile dealerships as described in Note 5 of our consolidated financial statements included in this annual report.

As a result of this material weakness and based on the evaluation described above, management concluded that our internal control over financial reporting was not effective as of December 31, 2018. Notwithstanding this material weakness, however, management has concluded that the consolidated financial statements included in this Annual Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Management's Remediation Plans and Actions

To remediate the material weakness described above in "Management's Report on Internal Control over Financial Reporting," we are implementing the plan and measures described below, and we will continue to evaluate and may in the future implement additional measures.

We will carry out the following remediation measures:

- We increased the size of our reporting team from two to four, including three new reporting staff with a higher level of relevant accounting experience, skills and knowledge in accounting and disclosure for significant and complex transactions under the requirement of U.S. GAAP.
- We plan to recruit additional staff with relevant accounting experience, skills and knowledge in accounting and disclosure for complex transactions under the requirements of U.S. GAAP.
- We will design and implement robust financial reporting and management controls over future significant and complex transactions.

We believe that we are taking the steps necessary for remediation of the material weakness identified above, and we will continue to monitor the effectiveness of these steps and to make any changes that our management deems appropriate.

Changes in Internal Control over Financial Reporting

Other than the remedial measures described above, there were no other changes in our internal control over financial reporting during the year ended December 31, 2018 that have materially affected or are reasonable likely to materially affect our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management, including our chief executive officer and our chief financial officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent or detect all errors and all fraud. A control system cannot provide absolute assurance due to its inherent limitations; it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. A control system also can be circumvented by collusion or improper management override. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of such limitations, disclosure controls and procedures and internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Tianruo Pu, who is an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act), qualifies as an "audit committee financial expert."

Item 16B. Code of Ethics

Our board has adopted a code of business conduct and ethics that provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises. We have posted a copy of our code of business conduct and ethics on our website at <http://www.renren-inc.com>.

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 Deloitte Touche Tohmatsu Certified Public Accountants LLP, our principal external auditors, for the periods indicated.

	For the Years Ended December 31,	
	2017	2018
	(in thousands of US\$)	
Audit fees ⁽¹⁾	1,558.3	2,501.0
Other fees ⁽²⁾	—	25.7

(1) "Audit fees" means the aggregate fees billed or payable for professional services rendered by our independent auditors in connection with the audit of our consolidated financial statements or the review of our interim consolidated financial statements required for statutory or regulatory filings.

(2) "Other fees" represent the aggregate fees billed and expected to be billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm other than the services reported in (1).

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the course of the administration of our equity incentive plans, we have, from time to time, canceled or repurchased restricted shares or other securities held by employees or other participants of our equity incentive plans.

In June 2018, we disposed of the majority of our assets in the OPI Transaction. At the same time, we also paid a cash dividend of US\$0.6125 per ordinary share, or US\$9.1875 per ADS, to all of our shareholders, other than those shareholders who had waived the cash dividend in connection with the OPI Transaction. After the closing of the OPI Transaction on June 21, 2018, the market price of our ADSs fell significantly as a result of the value that was removed from our company and transferred to our shareholders. See "Item 4. Information on the Company—A. History and Development of the Company—The OPI Transaction" for a description of the OPI Transaction. To the extent that our ADSs trade below US\$1.00 per ADS for an extended period of time, or at or below US\$0.16 per ADS for any period of time, our ADSs may be suspended from trading on the NYSE and ultimately delisted. See "Item 3.D. Risk Factors—Risks Related to Our ADSs—If the market price for our ADSs falls below US\$1.00 for an extended period of time, or to US\$0.16 at any time, our ADSs may be delisted from the NYSE." To assist in stabilizing the ADS trading price and address this risk, we adopted an ADS repurchase program to be effected on the open market at prevailing market prices from time to time as market conditions warrant in accordance with the applicable requirements of Rule 10b5-1 and Rule 10b-18 under the Exchange Act. As of the date of this annual report, we have not made any purchases pursuant to this ADS repurchase plan.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Section 303A.01 of the NYSE Listed Company Manual requires a listed company to have a majority of independent directors.

Section 303A.07(a) of the NYSE Listed Company Manual requires the audit committee to have a minimum of three members.

Section 303A.08 of the NYSE Listed Company Manual requires a listed company to give shareholders an opportunity to vote on all equity compensation plans and material revisions thereto.

Section 303A.12(a) of the NYSE Listed Company Manual requires each listed company's chief executive officer to certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards.

We are a Cayman Islands exempted company, and there are no requirements under applicable Cayman Islands law that correspond to these sections of the NYSE Listed Company Manual. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have followed our home country practice and are exempted from the requirements of Sections 303A.01, 303A.07(a), 303A.08 and 303A.12(a) of the NYSE Listed Company Manual.

Other than the requirements discussed above, there are no significant differences between our corporate governance practices and those followed by domestic listed companies as required under the NYSE Listed Company Manual.

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 Renren Inc. and its subsidiaries and consolidated affiliated entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.1	Specimen American depository receipt of the Registrant (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.2	Specimen Class A ordinary share certificate of the Registrant (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.3	Deposit Agreement, dated as of May 4, 2011, by and among the Registrant, Citibank, N.A., as depository, and the holders of the American Depository Receipts (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8 (file no. 333-177366), filed with the SEC on October 18, 2011).
2.4	Amended and Restated Investors' Rights Agreement between the Registrant and other parties therein, dated as of April 4, 2008, as amended (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.5	Form of Registration Rights Agreement between the Registrant and other parties therein (incorporated by reference to Exhibit 10.21 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.1	2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.2	2008 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.3	2009 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.4	2011 Share Incentive Plan (as amended by Amendment No.1 to the 2011 Share Incentive Plan) (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 (file no. 333-209734), filed with the SEC on February 26, 2016).
4.5	Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.6	Form of Employment Agreement between the Registrant and the officers of the Registrant (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).

Exhibit Number	Description of Document
4.7	Business Operations Agreement, dated as of December 23, 2010, between Qianxiang Shiji, Qianxiang Tiancheng and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.8	Amended and Restated Equity Option Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.9	Amended and Restated Equity Interest Pledge Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.10	Power of Attorney, dated as of December 23, 2010, by the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.11	Spousal Consents, dated as of December 23, 2010, by the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.12	Amended and Restated Loan Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.13	Amended and Restated Exclusive Technical Service Agreement, dated as of December 23, 2010, between Qianxiang Shiji and Qianxiang Tiancheng (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.14	Amended and Restated Intellectual Property Right License Agreement, dated as of December 23, 2010, between Qianxiang Shiji and Qianxiang Tiancheng (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.15	Power of Attorney, dated December 4, 2013, by Huang Hui (incorporated by reference to Exhibit 4.32 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.16	Power of Attorney, dated December 4, 2013, by Liu Jian (incorporated by reference to Exhibit 4.33 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.17	Spousal Consent issued by Jonathan Gentile Anderson, as the lawful spouse of Huang Hui, and Chen Yan, as the lawful spouse of Liu Jian, both dated December 4, 2013 (incorporated by reference to Exhibit 4.34 to our annual report on Form 20-F (file no. 00135147), filed with the SEC on April 29, 2014).
4.18	Loan Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.32 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.19	Loan Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.33 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)

Exhibit Number	Description of Document
4.20	Business Operations Agreement, dated May 22, 2014, by and among Beijing Jingwei Sinan Information Technology Co., Ltd., Beijing Jingwei Zhihui Information Technology Co., Ltd., Jing Yang and Jian Liu (incorporated by reference to Exhibit 4.34 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.21	Power of Attorney, dated May 22, 2014, by Jing Yang (incorporated by reference to Exhibit 4.35 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.22	Power of Attorney, dated May 22, 2014, by Jian Liu (incorporated by reference to Exhibit 4.36 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.23	English translation of Spousal Consents, by Joseph Chen, as the lawful spouse of Jing Yang, and Yan Chen, as the lawful spouse of James Jian Liu, both dated May 22, 2014 (incorporated by reference to Exhibit 4.37 to our annual report on Form 20-F (file no. 00135147), filed with the SEC on April 16, 2015)
4.24	Exclusive Technology Support and Technology Service Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Beijing Jingwei Zhihui Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.38 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.25	Intellectual Property Right License Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Beijing Jingwei Zhihui Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.39 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.26	English translation of Equity Interest Pledge Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (file no. 00135147), filed with the SEC on April 16, 2015)
4.27	English translation of Equity Interest Pledge Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (file no. 00135147), filed with the SEC on April 16, 2015)
4.28	Equity Option Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.42 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.29	Equity Option Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.43 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.30	English translation of Framework Purchase Agreement, dated October 28, 2014, by and among the Registrant, Beijing Wole Information Technology Co., Ltd., Jian Liu, Hui Huang, Guangzhou Qianjun Internet Technology Co., Ltd. and Tianjin Jinhua Media Co., Ltd. (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.31	English translation of Amendment to Framework Purchase Agreement, dated December 1, 2014, by and among the Registrant, Beijing Wole Information Technology Co., Ltd., Jian Liu, Hui Huang, Guangzhou Qianjun Internet Technology Co., Ltd. and Tianjin Jinhua Media Co., Ltd. (incorporated by reference to Exhibit 4.45 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.32	English translation of Business Cooperation Agreement, dated December 1, 2014, by and among Beijing Wole Information Technology Co., Ltd., Guangzhou Qianjun Internet Technology Co., Ltd., Beijing Qianxiang Wangjing Technology Development Co., Ltd. and Tianjin Jinhua Media Co., Ltd. (incorporated by reference to Exhibit 4.46 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)

Exhibit Number	Description of Document
4.33	English translation of Service Agreement, dated December 1, 2014, by and among Beijing Wole Information Technology Co., Ltd., Guangzhou Qianjun Internet Technology Co., Ltd., Beijing Qianxiang Wangjing Technology Development Co., Ltd. and Tianjin Jinhua Media Co., Ltd. (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.34	Convertible Note and Series F Preferred Stock Purchase Agreement, dated July 28, 2015, by and among Social Finance, Inc., SoftBank Group International Limited, the Registrant and other parties therein (incorporated by reference to Exhibit 4.37 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 16, 2016)
4.35	English translation of Framework Agreement on Transfer of Renren Games Business by Renren Inc., dated January 5, 2016, by and among the Registrant, Link 224 Inc., Renren Game Hong Kong Limited and other parties therein (incorporated by reference to Exhibit 4.38 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 16, 2016)
4.36	English translation of Asset Sale and Purchase Agreement for Shanghai Renren Finance Leasing Asset-Backed Special Plan, dated January 26, 2016, by and between Shanghai Renren Finance Leasing Co., Ltd. and Xinyuan Asset Management Co., Ltd. (incorporated by reference to Exhibit 4.38 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 15, 2017)
4.37	2016 Share Incentive Plan (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-8 (file no. 333-209734), filed with the SEC on February 26, 2016)
4.38	English translation of Asset Sale and Purchase Agreement for Shanghai Renren Finance Leasing Asset-Backed Special Plan II, dated August 10, 2016, by and between Shanghai Renren Finance Leasing Co., Ltd. and Beijing Founder Fubon Asset Management Co., Ltd. (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 15, 2017)
4.39	Transaction Confirmation, dated April 4, 2017, in connection with the sale of shares of Social Finance Inc. by the Registrant (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 15, 2017)
4.40	Loan Agreement between Shanghai Renren Automobile Technology Company Limited and James Jian Liu (English Translation), dated August 18, 2017 (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.41	Loan Agreement between Shanghai Renren Automobile Technology Company Limited and Yang Jing (English Translation), dated August 18, 2017 (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.42	Loan Agreement between Shanghai Renren Automobile Technology Company Limited and Yi Rui, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.42 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.43	Loan Agreement between Shanghai Renren Automobile Technology Company Limited and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.43 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.44	Exclusive Technology Support and Technology Services Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.45	Exclusive Technology Support and Technology Services Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Jieying Automobile Sales Co., Ltd. dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.45 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.46	Equity Pledge Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. between Shanghai Renren Automobile Technology Company Limited and James Jian Liu, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.46 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.47	Equity Pledge Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. between Shanghai Renren Automobile Technology Company Limited and Yang Jing, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)

Exhibit Number	Description of Document
4.48	<u>Equity Pledge Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd., between Shanghai Renren Automobile Technology Company Limited and Yi Rui, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.48 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.49	<u>Equity Pledge Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd., between Shanghai Renren Automobile Technology Company Limited and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.49 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.50	<u>Intellectual Property Right License Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. and dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.50 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.51	<u>Intellectual Property Right License Agreement between Shanghai Renren Automobile Technology Company Limited, and Shanghai Jieying Automobile Sales Co., Ltd., dated August 18, 2017 (incorporated by reference to Exhibit 4.51 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.52	<u>Equity Option Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd between Shanghai Renren Automobile Technology Company Limited and James Jian Liu, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.52 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.53	<u>Equity Option Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd between Shanghai Renren Automobile Technology Company Limited and Yang Jing, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.53 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.54	<u>Equity Option Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd. between Shanghai Renren Automobile Technology Company Limited and Yi Rui, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.54 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.55	<u>Equity Option Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd. between Shanghai Renren Automobile Technology Company Limited and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 4.55 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.56	<u>Form of Equity Purchase Agreement (English Translation) (incorporated by reference to Exhibit 4.56 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.57	<u>Form of Used Vehicle Purchase Contract (English Translation) (incorporated by reference to Exhibit 4.57 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.58	<u>Form of Used Vehicle Agency Services Agreement (English Translation) (incorporated by reference to Exhibit 4.58 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.59	<u>Form of Used Vehicle Sales Contract (English Translation) (incorporated by reference to Exhibit 4.59 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.60	<u>Kaixin Auto Group 2018 Equity and Incentive Plan (incorporated by reference to Exhibit 4.60 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.61	<u>Power of Attorney between Ren Jintao and Shanghai Renren Automobile Technology Company Limited, dated August 18, 2017 (incorporated by reference to Exhibit 4.61 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.62	<u>Power of Attorney between Yi Rui and Shanghai Renren Automobile Technology Company Limited, dated August 18, 2017 (incorporated by reference to Exhibit 4.62 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.63	<u>Power of Attorney between Yang Jing and Shanghai Renren Automobile Technology Company Limited, dated August 18, 2017 (incorporated by reference to Exhibit 4.63 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.64	<u>Power of Attorney between Liu Jian and Shanghai Renren Automobile Technology Company Limited, dated August 18, 2017 (incorporated by reference to Exhibit 4.64 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.65	<u>Business Operations Agreement by and among Shanghai Renren Automobile Technology Company Limited., Shanghai Jieying Automobile Sales Co., Ltd., Ren Jintao and Yi Rui, dated August 18, 2017 (incorporated by reference to Exhibit 4.65 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.66	<u>Business Operations Agreement by and among Shanghai Renren Automobile Technology Company Limited., Shanghai Qianxiang Changda Internet Information Technology Development Co. Ltd, Yang Jing and Liu Jian, dated August 18, 2017 (incorporated by reference to Exhibit 4.66 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>
4.67	<u>Consent of Xi Wang, lawful spouse of Ren Jintao, dated August 18, 2017 (incorporated by reference to Exhibit 4.67 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)</u>

4.68 [Consent of Zhang Jian, lawful spouse of Yi Rui, dated August 18, 2017 \(incorporated by reference to Exhibit 4.68 to our annual report on Form 20-F \(file no. 001-35147\), filed with the SEC on May 14, 2018\)](#)

Exhibit Number	Description of Document
4.69	Consent of Joseph Chen, lawful spouse of Yang Jing, dated August 18, 2017 (incorporated by reference to Exhibit 4.69 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.70	Consent of Chen Yan, lawful spouse of Liu Jian, dated August 18, 2017 (incorporated by reference to Exhibit 4.70 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on May 14, 2018)
4.71*	Automobile Consumer Loan Cooperation (Framework) Agreement between Ping An Bank Co., Ltd. Shanghai Branch and Shanghai Jieying Automobile Sales Co., Ltd., dated April 17, 2017
4.72*	Supplementary Agreement of Auto Consumer Loan Cooperation (Framework) Agreement between Ping An Bank Co., Ltd. Shanghai Branch and Shanghai Jieying Automobile Sales Co., Ltd., dated June 1, 2017
4.73*	Master Transaction Agreement among Renren Inc. CM Seven Star Acquisition Corporation and Kaixin Auto Group, dated April 30, 2018
4.74*	Non-Competition Agreement between Renren Inc. and Kaixin Auto Group, dated April 30, 2018
4.75*	Transitional Services Agreement between Renren Inc. and Kaixin Auto Group, dated April 30, 2018
4.76*	Investor Rights Agreement among CM Seven Star Acquisition Corporation, Shareholder Value Fund and Renren Inc., dated April 30, 2018
4.77*	Escrow Agreement concerning earnout shares among Renren Inc., CM Seven Star Acquisition Corporation and Vistra Corporate Services (HK) Limited, an escrow agent, dated April 30, 2018
4.78	Share Exchange Agreement dated November 2, 2018, by and among Kaixin Auto Group, the Registrant and CM Seven Star Acquisition Corp. (incorporated by reference to Exhibit 99.1 to our Current Report on Form 6-K (file no. 001-35147), filed with the SEC on November 6, 2018)
4.79*	Asset Purchase Agreement dated November 13, 2018 by and between Beijing Infinities Interactive Media Co., Ltd. and Beijing Qianxiang Wangjing Technology Development Co., Ltd.
4.80*	Share Subscription Agreement dated November 13, 2018 by and between Infinities Technology (Cayman) Holding Limited and the Registrant
4.81	Convertible Loan Agreement dated January 28, 2019, by and among Kaixin Auto Group, the Registrant, CM Seven Star Acquisition Corp., and Kunlun Tech Limited (incorporated by reference to Exhibit 99.2 to our Current Report on Form 6-K (file no. 001-35147), filed with the SEC on January 29, 2019)
8.1*	Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011)
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 Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2*	Consent of TransAsia Lawyers
15.3*	Consent of Maples and Calder (Hong Kong) LLP
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

Exhibit Number	Description of Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase 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.

Renren Inc.

By: /s/ Joseph Chen
Name: Joseph Chen
Title: Chairman of the Board of Directors and Chief Executive Officer

Dated: May 15, 2019

RENREN INC.

Report and Consolidated Financial Statements
For the years ended December 31, 2016, 2017 and 2018

RENREN INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

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RENREN INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF RENREN INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Renren Inc., its subsidiaries, its variable interest entities and the subsidiaries of its variable interest entities (collectively, the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive (loss) income, changes in equity (deficit), and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule included in Schedule I (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

May 15, 2019

We have served as the Company's auditor since 2008.

RENREN INC.

CONSOLIDATED BALANCE SHEETS

(In thousands of US dollars, except share data and per share data, or otherwise noted)

	As of December 31,	
	2017	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,199	\$ 15,333
Restricted cash	47,253	5,818
Accounts receivable (net of allowances of \$2,730 and \$2,635 as of December 31, 2017 and 2018, respectively)	6,098	2,584
Financing receivable (net of allowances of \$7,023 and \$9,257 as of December 31, 2017 and 2018, respectively; including \$78,485 and \$nil from the Plans ⁽ⁱ⁾ as of December 31, 2017 and 2018, respectively)	125,478	3,486
Prepaid expenses and other current assets	48,226	49,515
Inventory	95,012	59,197
Amounts due from related parties	188	20,829
Assets of discontinued operations - current (including assets of discontinued operations - current of the consolidated VIEs of \$15,646 and \$nil as of December 31, 2017 and 2018, respectively)	20,551	-
Total current assets	468,005	156,762
Long-term financing receivable	8	-
Property and equipment, net	29,509	1,555
Intangible assets, net	2,260	1,092
Goodwill	101,937	84,434
Long-term investments	34,742	22,341
Amounts due from related parties - non-current	-	133,880
Restricted cash – non-current (including restricted cash – non-current of the consolidated VIEs of \$345 and \$363 as of December 31, 2017 and 2018, respectively)	26,075	36,362
Other non-current assets (including other non-current of the consolidated VIEs of \$468 and \$747 as of December 31, 2017 and 2018, respectively)	958	767
Assets of discontinued operations – non-current (including assets of discontinued operations – non-current of the consolidated VIEs of \$32,116 and \$nil as of December 31, 2017 and 2018, respectively)	530,670	-
TOTAL ASSETS	\$ 1,194,164	\$ 437,193
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to Renren Inc. of \$18,525 and \$6,849 as of December 31, 2017 and 2018, respectively)	\$ 19,095	\$ 8,255
Short-term debt (including short-term debt of the consolidated VIEs without recourse to Renren Inc. of \$12,296 and \$29,816 as of December 31, 2017 and 2018, respectively)	61,479	49,887
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to Renren Inc. of \$15,644 and \$19,135 as of December 31, 2017 and 2018, respectively; including accrued expenses and other current liabilities of the Plans without recourse to Renren Inc. of \$4 and \$nil as of December 31, 2017 and 2018, respectively)	31,877	33,055
Payable to investors (including payable to investors of the consolidated VIEs without recourse to Renren Inc. of \$7,153 and \$15 as of December 31, 2017 and 2018, respectively; including payable to investors of the Plans without recourse to Renren Inc. of \$64,087 and \$nil as of December 31, 2017 and 2018, respectively)	142,689	15
Amounts due to related parties (including amount due to related parties of the consolidated VIEs without recourse to Renren Inc. of \$7,013 and \$28 as of December 31, 2017 and 2018, respectively)	7,059	55
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to Renren Inc. of \$10,108 and \$3,099 as of December 31, 2017 and 2018, respectively)	11,433	3,716

RENREN INC.

CONSOLIDATED BALANCE SHEETS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	As of December 31,	
	2017	2018
Income tax payable (including income tax payable of the consolidated VIEs without recourse to Renren Inc. of \$9,455 and \$10,920 as of December 31, 2017 and 2018, respectively)	11,727	20,602
Contingent consideration (Note 5) (including contingent consideration of the consolidated VIEs without recourse to Renren Inc. of \$5,944 and \$ 11,929 as of December 31, 2017 and 2018, respectively)	5,944	11,929
Liabilities of discontinued operations – current (including liabilities of discontinued operations - current of the consolidated VIEs without recourse to Renren Inc. of \$3,786 and \$nil as of December 31, 2017 and 2018, respectively)	79,244	-
Total current liabilities	370,547	127,514
Long-term liabilities:		
Long-term debt	47,665	35,000
Long-term contingent consideration (Note 5) (including long-term contingent consideration of the consolidated VIEs without recourse to Renren Inc. of \$60,850 and \$ 88,098 as of December 31, 2017 and 2018, respectively)	60,850	93,741
Liabilities of discontinued operations– non-current	6,356	-
Total non-current liabilities	114,871	128,741
TOTAL LIABILITIES	\$ 485,418	\$ 256,255
Commitments (Note 23)		
Equity:		
Class A ordinary shares, \$0.001 par value, 3,000,000,000 shares authorized, 726,549,453 and 737,222,448 shares issued and outstanding as of December 31, 2017 and 2018, respectively	\$ 727	\$ 737
Class B ordinary shares, \$0.001 par value, 500,000,000 shares authorized, 305,388,450 and 305,388,450 shares issued and outstanding as of December 31, 2017 and 2018, respectively	305	305
Additional paid-in capital	1,303,117	709,137
Accumulated deficit	(653,173)	(563,737)
Statutory reserves	6,712	6,712
Accumulated other comprehensive income (loss)	17,116	(5,689)
Total Renren Inc. shareholders' equity	674,804	147,465
Noncontrolling interest	33,942	33,473
Total equity	708,746	180,938
TOTAL LIABILITIES AND EQUITY	\$ 1,194,164	\$ 437,193

(i) The Company consolidated Shanghai Renren Finance Leasing Asset-Backed Special Plans (the "Plans"), see Note 1.

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

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Net revenues:			
Automobile sales	\$ -	\$ 121,084	\$ 467,232
IVAS and others	18,164	24,271	28,510
Financing income	29,317	29,269	2,456
Total net revenues	47,481	174,624	498,198
Cost of revenues:			
Automobile sales	-	116,385	449,805
IVAS and others	14,869	17,954	12,642
Financing income	25,708	28,975	14,021
Total cost of revenues	40,577	163,314	476,468
Gross profit	6,904	11,310	21,730
Operating expenses (income):			
Selling and marketing	13,932	20,070	34,562
Research and development	7,542	17,435	26,349
General and administrative	39,406	51,494	71,094
Impairment of goodwill	-	-	29,055
Gain on disposal of property and equipment	-	-	(25,928)
Total operating expenses	60,880	88,999	135,132
Loss from operations	(53,976)	(77,689)	(113,402)
Other income (expenses)	8,336	2,656	(2,014)
Fair value change of contingent consideration	-	(2,601)	(29,604)
Interest income	832	1,988	5,760
Interest expenses	(7,107)	(4,322)	(5,103)
Realized gain (loss) on short-term investments	595	(100)	-
Realized gain (loss) on disposal of long-term investments	-	37,311	(2,141)
Impairment of long-term investments	(1,484)	-	-
Loss before provision of income tax and (loss) earnings in equity method investments and noncontrolling interest, net of tax	(52,804)	(42,757)	(146,504)
Income tax expenses	(2,470)	(4,479)	(9,850)
Loss before (loss) earnings in equity method investments and noncontrolling interest, net of tax	(55,274)	(47,236)	(156,354)
(Loss) earnings in equity method investments, net of tax	(7,840)	55,985	(2,463)
(Loss) income from continuing operations	\$ (63,114)	\$ 8,749	\$ (158,817)

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Discontinued operations:			
Loss from the operations of the discontinued operations, net of tax expenses of \$102, \$nil and \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	\$ (130,548)	\$ (119,252)	\$ (18,799)
Gain on deconsolidation of subsidiaries, net of tax of \$454, \$nil and \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	8,310	-	242,097
(Loss) income from discontinued operations, net of tax expenses of \$102, \$nil and \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	(122,238)	(119,252)	223,298
Net (loss) income	(185,352)	(110,503)	64,481
Net loss attributable to the noncontrolling interest	-	76	8,059
Net (loss) income from continuing operations attributable to Renren Inc.	(63,114)	8,825	(150,758)
Net (loss) income from discontinued operations attributable to Renren Inc.	(122,238)	(119,252)	223,298
Net (loss) income attributable to Renren Inc.	\$ (185,352)	\$ (110,427)	\$ 72,540

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Net (loss) income per share:			
Net (loss) income per share from continuing operations attributable to Renren Inc. shareholders:			
Basic	\$ (0.06)	\$ 0.01	\$ (0.15)
Diluted	\$ (0.06)	\$ 0.01	\$ (0.15)
Net (loss) income per share from discontinued operations attributable to Renren Inc. shareholders			
Basic	\$ (0.12)	\$ (0.12)	\$ 0.22
Diluted	\$ (0.12)	\$ (0.12)	\$ 0.20
Net (loss) income per share attributable to Renren Inc. shareholders:			
Basic	\$ (0.18)	\$ (0.11)	\$ 0.07
Diluted	\$ (0.18)	\$ (0.11)	\$ 0.07
Weighted average number of shares used in calculating net (loss) income per share from continuing operations attributable to Renren Inc. shareholders:			
Basic	1,022,664,396	1,028,537,406	1,036,421,063
Diluted	1,022,664,396	1,029,736,939	1,036,421,063
Weighted average number of shares used in calculating net (loss) income per share from discontinued operations attributable to Renren Inc. shareholders:			
Basic	1,022,664,396	1,028,537,406	1,036,421,063
Diluted	1,022,664,396	1,028,537,406	1,095,805,917

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

RENREN INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Net (loss) income	\$ (185,352)	\$ (110,503)	\$ 64,481
Other comprehensive (loss) income, net of tax:			
Foreign currency translation	(10,994)	9,585	(5,770)
Net unrealized (loss) gain on available-for-sale investments, net of tax of \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	(18,518)	3,891	(9,671)
Transfer to statements of operations of realized (loss) gain on available-for-sale investments, net of tax of \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	(729)	(3,243)	(7,364)
Other comprehensive (loss) income	(30,241)	10,233	(22,805)
Comprehensive (loss) income	(215,593)	(100,270)	41,676
Less: Comprehensive loss attributable to noncontrolling interest	-	(76)	(10,578)
Comprehensive (loss) income attributable to Renren Inc.	\$ (215,593)	\$ (100,194)	\$ 52,254

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

RENREN INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Class A ordinary shares		Class B ordinary shares		Additional paid-in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive income (loss)	Total Renren Inc.'s equity (deficit)	Non- controlling interest	Total equity
	Shares	Amount	Shares	Amount							
Balance at January 1, 2016	714,365,091	\$ 714	305,388,450	\$ 305	\$ 1,243,083	\$ (357,394)	\$ 6,712	\$ 37,124	\$ 930,544	\$ (1,156)	\$ 929,388
Stock-based compensation	-	-	-	-	23,544	-	-	-	23,544	-	23,544
Other comprehensive income	-	-	-	-	-	-	-	(30,241)	(30,241)	-	(30,241)
Net loss	-	-	-	-	-	(185,352)	-	-	(185,352)	-	(185,352)
Exercise of share option and restricted shares vesting	5,286,327	6	-	-	1,144	-	-	-	1,150	-	1,150
Deconsolidation of Beijing Wanmen Education Technology Co., Ltd. ("Wanmen")	-	-	-	-	(1,179)	-	-	-	(1,179)	1,156	(23)
Balance at December 31, 2016	719,651,418	\$ 720	305,388,450	\$ 305	\$ 1,266,592	\$ (542,746)	\$ 6,712	\$ 6,883	\$ 738,466	-	\$ 738,466
Stock-based compensation	-	-	-	-	28,016	-	-	-	28,016	-	28,016
Other comprehensive loss	-	-	-	-	-	-	-	9,477	9,477	756	10,233
Noncontrolling interest arising from an acquisition	-	-	-	-	-	-	-	756	756	24,499	25,255
Capital contribution from non-controlling shareholder	-	-	-	-	7,954	-	-	-	7,954	8,763	16,717
Net loss	-	-	-	-	-	(110,427)	-	-	(110,427)	(76)	(110,503)
Exercise of share option and restricted shares vesting	6,898,035	7	-	-	555	-	-	-	562	-	562
Balance at December 31, 2017	726,549,453	\$ 727	305,388,450	\$ 305	\$ 1,303,117	\$ (653,173)	\$ 6,712	\$ 17,116	\$ 674,804	33,942	\$ 708,746
Stock-based compensation	-	-	-	-	31,603	-	-	-	31,603	-	31,603
Other comprehensive loss	-	-	-	-	-	7,364	-	(10,754)	(3,390)	(2,519)	(5,909)
Noncontrolling interest arising from an acquisition	-	-	-	-	-	-	-	(2,519)	(2,519)	5,535	3,016
Disposal of subsidiaries	-	-	-	-	(64)	-	-	-	(64)	(1,421)	(1,485)
Capital contribution from non-controlling shareholder	-	-	-	-	7,947	-	-	-	7,947	5,995	13,942
Deconsolidation of Oak Pacific Investment	-	-	-	-	(634,278)	9,532	-	(9,532)	(634,278)	-	(634,278)
Net income (loss)	-	-	-	-	-	72,540	-	-	72,540	(8,059)	64,481
Exercise of share option and restricted shares vesting	10,672,995	10	-	-	812	-	-	-	822	-	822
Balance at December 31, 2018	<u>737,222,448</u>	<u>\$ 737</u>	<u>305,388,450</u>	<u>\$ 305</u>	<u>\$ 709,137</u>	<u>\$ (563,737)</u>	<u>\$ 6,712</u>	<u>\$ (5,689)</u>	<u>\$ 147,465</u>	<u>\$ 33,473</u>	<u>\$ 180,938</u>

The accompanying notes are integral part of these consolidated financial statements.

RENREN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US dollars, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Cash flows from operating activities:			
Net (loss) income	\$ (185,352)	\$ (110,503)	\$ 64,481
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense	23,544	28,016	31,603
Gain on deconsolidation of subsidiaries	(12,895)	(1,825)	(242,097)
Loss (earnings) in equity method investments	18,183	(67,240)	12,090
Realized gain on disposal of long-term investments	-	(37,311)	2,141
Depreciation and amortization	2,678	2,029	1,443
Exchange loss on offshore accounts	4	-	-
Impairment on long-term investments	102,307	113,073	2,180
Impairment on intangible assets	-	-	675
Impairment on goodwill	-	-	29,055
Loss on expiration of warrant	901	-	-
Interest income from long-term available-for-sale investment	(298)	(108)	-
Provision for doubtful accounts-accounts receivable	(205)	46	41
Write-offs for advance to supplier related to Ji'nan Dealership	369	(39)	16,140
Allowances for financing receivable losses	12,436	12,745	10,802
Provision for inventory	-	-	200
Write-offs of inventory related to Ji'nan Dealership	-	-	5,712
Write-offs of financing receivable	(119)	-	-
(Gain) loss on disposal of property and equipment	(95)	13	(25,928)
(Gain) loss on short-term investments and fair value change of derivatives	(552)	100	-
Realized gain on long-term available-for-sale investment	(729)	-	(1,005)
Fair value change of put option and liability-classified warrant	(105)	(195)	(233)
Fair value change of contingent consideration	-	2,545	29,604
Changes in operating assets and liabilities:			
Accounts and notes receivable	(881)	2,116	3,463
Financing receivable	10	(321)	19
Prepaid expenses and other current assets	7,934	(20,842)	51,864
Inventory	-	(76,605)	28,903
Other non-current assets	490	434	154
Intercompany loan to Online Gaming (see Note 4)	7,500	-	-
Accounts payable	797	12,599	(11,682)
Amounts due from/to related parties	1,167	7,514	(65,343)
Accrued expenses and other current liabilities	2,037	8,576	(5,442)
Interest payable to investors	(531)	(4,048)	(4,722)
Deferred revenue	2,780	4,109	(7,324)
Other non-current liabilities	5,332	5,862	3,147
Income tax payable	2,288	4,296	9,820
Net cash used in operating activities	(11,005)	(114,964)	(60,239)
Cash flows from investing activities:			
Proceeds from principal repayments of financing receivable	626,775	925,951	109,103
Payments to provide financing receivable	(799,174)	(748,725)	(5)
Proceeds from sale of trading securities	22,632	7,973	-
Proceeds from sale of equity investment with readily determinable fair values	-	-	8,432
Proceeds from principal return on Series 2012-A Senior Secured Sofi Loan Notes ("SoFi Loan Note")	5,879	-	-

RENREN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of US dollars, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Proceeds from sale of equity method investments	18,460	94,604	-
Proceeds from sales of equity investments without readily determinable fair values	-	32,726	4,585
Proceeds from capital withdrawal from equity method investees	29,634	148	1,098
Purchase of trading securities	(19,702)	(7,653)	-
Purchase of derivative financial instruments	(264)	-	-
Purchase of equity method investments, call option and warrant	(16,331)	(4,940)	-
Purchase of equity investments without readily determinable fair values	(28,344)	(5,673)	(256)
Purchase of long-term available-for-sale investments	(6,150)	(3,000)	(650)
Proceeds from disposal of equipment and property	142	63	60,388
Purchases of equipment and property	(357)	(135)	(884)
Purchases of intangible assets	-	-	-
Settlement of put option	(7,000)	-	-
Cash disposed of from deconsolidation of subsidiaries	(6,176)	(1,179)	-
Acquisition of subsidiaries, net of cash acquired	-	(23,305)	(9,454)
Loan to a noncontrolling shareholder	-	-	-
Loan to related parties	(14,625)	(11,113)	-
Proceeds from repayment of related party loans	11,701	8,871	-
Loans to third parties	(4,518)	(2,220)	(1,513)
Proceeds from repayment of third party loans	3,765	892	-
Net cash (used in) provided by investing activities	(183,653)	263,285	170,844
Cash flows from financing activities:			
Proceeds from exercise of share options	1,430	262	526
Proceeds from investors	844,712	1,580,544	57,767
Payment to investors	(637,931)	(1,688,655)	(193,502)
Repayment of borrowings	(131,900)	(68,025)	(119,000)
Cash distribution to shareholders related to acquisition of OPI	-	-	(168,983)
Proceeds from short-term borrowings	39,072	65,859	71,140
Proceeds from long-term borrowings	-	26,639	87,000
Proceeds from loan provided by a related party	10,692	-	-
Capital injection by noncontrolling shareholders	-	16,263	10,873
Net cash provided by (used in) financing activities	126,075	(67,113)	(254,179)
Net (decrease) increase in cash and cash equivalents and restricted cash	(68,583)	81,208	(143,574)
Cash and cash equivalents and restricted cash at beginning of year	183,500	110,084	201,923
Effect of exchange rate changes	(4,833)	10,631	(836)
Cash and cash equivalents and restricted cash at end of year	\$ 110,084	\$ 201,923	\$ 57,513
Supplemental schedule of cash flows information:			
Interest paid	12,249	\$ 10,729	\$ 8,290
Income taxes paid	\$ 123	\$ 180	\$ 1

RENREN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of US dollars, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Schedule of non-cash activities:			
Contingent consideration	\$ -	\$ 62,493	\$ 14,113
Receivable from disposition of Renren SNS	-	-	60,000
Purchase of long-term available-for-sale investment through exchange of equity interest in a subsidiary	1,742	-	-
Acquisition of business settled by forgiveness of financing receivable	-	21,201	1,428
Acquisition of entity through settlement of long-term investments	-	5,787	-
Acquisition of entity through settlement of loan to a related party	-	200	-
Acquisition of equity method investment through settlement of loan from a related party	\$ 4,905	\$ -	\$ -

In addition to the above, during the year ended December 31, 2018, the Company had \$60 million and \$500 million of non-cash activities related to the disposal of the Company's SNS Business and Oak Pacific Investment ("OPI"). See Note 4.

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

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018
(In thousands of US dollars, except share data and per share data, or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Renren Inc. was incorporated in the Cayman Islands. The Company, its consolidated subsidiaries, variable interest entities ("VIEs") and VIEs' subsidiaries (collectively referred to as the "Company") are mostly engaged in the business of used car trading which represents the majority of the Company's revenue during the year ended December 31, 2018 and its SaaS business, which includes all-in-one real estate solution provider, Chime, and a 360° real estate marketing and media service provider, Geographic Farming. Prior to 2018, the Company was also engaged in the operation of its social networking internet platform ("SNS") through which it provided online advertising services and internet value-added services ("IVAS") as well as the operation of a financial services platform to provide internet finance services. During the years ended December 31, 2017, the Company gradually stopped providing its internet finance services to focus on its used car business. Additionally, during the year ended December 31, 2018, the Company disposed of its SNS business as well as of OPI as further described below.

Disposal of SNS business

In December 2018, the Company disposed all of its tangible and intangibles assets related to www.renren.com and its related SNS business. The disposal of its SNS business represents a strategic shift and has a major effect on the Company's results of operations. Accordingly, assets, liabilities, revenues and expenses and cash flows related to the SNS business have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated balance sheet as of December 31, 2017, consolidated statements of operations and consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 have been adjusted to reflect this change. Refer to Note 4 for further details.

Disposal of Oak Pacific Investment ("OPI")

On April 30, 2018, the Company announced a series of transactions that included a cash dividend by the Company and a private placement by its subsidiary OPI. The OPI transaction was undertaken to reduce the number and aggregate size of the Company's long-term investments. At the time of the disposal, OPI held the Company's ZenZone advertising agency business as well as the majority of the Company's long-term investments. The private placement closed on June 21, 2018 and the Company completed the payment of the special cash dividend shortly thereafter. As a result, the Company deconsolidated OPI on June 21, 2018. The disposal of OPI represents a strategic shift and has a major effect on the Company's results of operations. Accordingly, assets, liabilities, revenues and expenses and cash flows related to OPI have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated balance sheet as of December 31, 2017, consolidated statements of operations and consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 have been adjusted to reflect this change. Refer to Note 4 for further details.

The Kaixin Offering

On November 2, 2018, Kaixin Auto Group ("Kaixin"), a wholly owned subsidiary of Renren Inc, Kaixing Auto Holdings ("KAH"), a blank check company formed for the purpose of entering into a business combination with one or more businesses and listed on the NASDAQ stock market (formerly called CM Seven Star Acquisition Corporation) and Renren Inc. agreed to a business combination under the terms of a definitive share exchange agreement (the "Business Combination"). Pursuant to a series of transactions that closed on April 30, 2019, KAH acquired 100% of the issued and outstanding shares of Kaixin from Renren in exchange for an initial consideration of approximately 28.3 million of KAH shares upon the consummation of the Business Combination. The transaction resulted in Renren Inc. acquiring a controlling interest of KAH. The series of transactions also raised approximately US\$28.3 million for Kaixin and resulted in the separate listing of Kaixin on the Nasdaq Stock Market under the ticker symbol KXIN.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018
(In thousands of US dollars, except share data and per share data, or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

As of December 31, 2018, Renren Inc.'s subsidiaries, VIEs and VIEs' major subsidiaries are as follows:

Name of Subsidiaries	Later of date of incorporation or acquisition	Place of incorporation	Percentage of legal ownership by Renren Inc.	Principal activities
<i>Subsidiaries:</i>				
CIAC/ChinaInterActiveCorp ("CIAC")	August 5, 2005	Cayman Islands	100%	Investment holding
Kaixin Auto Group (formerly named as Renren Wealth Inc.)	March 7, 2011	Cayman Islands	100%	Investment holding
Link224 Inc.	May 31, 2011	Cayman Islands	100%	Investment holding
Wole Inc.	October 27, 2011	Cayman Islands	100%	Investment holding
JiehunChina Inc. ("JiehunChina")	June 14, 2011	Cayman Islands	100%	Investment holding
Renren Gongying Inc.	October 2, 2015	Cayman Islands	100%	Investment holding
Renren Finance, Inc.	December 15, 2014	Cayman Islands	100%	Internet business
Renren CRSP Holdings Inc.	October 14, 2016	Cayman Islands	100%	Investment holding
Renren PLML Holdings Inc.	October 14, 2016	Cayman Islands	100%	Investment holding
Renren KURY Holdings Inc.	October 14, 2016	Cayman Islands	100%	Inactive company
Renren ONER Holdings Inc.	October 14, 2016	Cayman Islands	100%	Investment holding
Renren BLCR Holdings Inc.	October 14, 2016	Cayman Islands	100%	Inactive company
Renren ZHCH Holdings Inc.	October 14, 2016	Cayman Islands	100%	Inactive company
Renren LSTAR Holdings Inc.	October 17, 2016	Cayman Islands	100%	Inactive company
Renren CHRYPH Holdings Inc.	October 31, 2016	Cayman Islands	100%	Inactive company
Jet Sound Hong Kong Company Limited	May 7, 2011	Hong Kong	100%	Investment holding
Renren Game Hong Kong Limited ("Game HK")	March 8, 2012	Hong Kong	100%	Investment holding
Renren Winday Company Limited.	July 26, 2016	Hong Kong	100%	Inactive company
Renren Giantly Limited.	August 16, 2016	Hong Kong	100%	Investment holding
Renren Gentle Height Company Limited.	December 7, 2016	Hong Kong	100%	Investment holding
Chime Technologies, Inc.	September 7, 2012	USA	100%	SaaS business
Renren U.S. Holdco, Inc.	July, 2017	USA	100%	Investment holding
Sindeo Inc.	July 3, 2017	USA	100%	Inactive company
Geographic Farming LLC	August 24, 2017	USA	100%	SaaS business
Trucker Path Inc.	December 28, 2017	USA	100%	Internet business
Lucrativ Inc.	January 22, 2018	USA	100%	SaaS business
Renren Giantly Philippines Inc.	March, 2018	Philippines	100%	SaaS business
Qianxiang Shiji Technology Development (Beijing) Co., Ltd. ("Qianxiang Shiji")	March 21, 2005	PRC	100%	Investment holding
Beijing Woxiu Information Technology Co. Ltd. ("Beijing Woxiu")	October 27, 2011	PRC	100%	Investment holding
Beijing Jiexun Shiji Technology Development Co., Ltd. ("Jiexun Shiji")	April 26, 2012	PRC	100%	Investment holding
Renren Huijin (Tianjin) Technology Co., Ltd. ("Huijin")	October 10, 2012	PRC	100%	Investment holding
Joy Interactive (Beijing) Technology Development Co., Ltd.	April 24, 2013	PRC	100%	Investment holding
Shanghai Renren Financial Leasing Co., Ltd	May 25, 2015	PRC	100%	Financing business
Shanghai Renren Automobile Technology Co., Ltd	August 18, 2017	PRC	100%	Investment holding
Shanghai Zhoushuo Automobile Technology Co., Ltd	January 18, 2018	PRC	100%	Investment holding
Ji'nan Zhoushuo Yidong Automobile Commerce Co., Ltd	January 17, 2018	PRC	70%	Automobile business
Suzhou Zhoushuo Lujie Automobile Service Co., Ltd	February 7, 2018	PRC	70%	Automobile business
Shanghai Lingcong Internet Information Technology Co. Ltd.	January 18, 2018	PRC	100%	Investment holding
Shanghai Jiexun Automobile Sales Co. Ltd.	February 2, 2018	PRC	100%	Investment holding
Shanghai Lingding Automobile Technology Co., Ltd.	April 12, 2018	PRC	100%	Investment holding
Shanghai Dingran Information Technology Co. Ltd.	April 12, 2018	PRC	100%	Investment holding

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Renren Zhenhan Technology Development (Beijing) Co., Ltd	November 13, 2017	PRC	100%	Investment holding
<i>Variable Interest Entities:</i>				
Beijing Qianxiang Tiancheng Technology Development Co., Ltd. ("Qianxiang Tiancheng")	October 28, 2002	PRC	N/A	IVAS business
Guangzhou Xiuxuan Brokers Co., Ltd. ("Guangzhou Xiuxuan")	September 22, 2014	PRC	N/A	IVAS business
Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. ("Shanghai Changda")	October 25, 2010	PRC	N/A	Internet business
Shanghai Jieying Automobile Sales Co., Ltd. ("Shanghai Jieying")	February 27, 2017	PRC	N/A	Automobile business
<i>Major subsidiaries of Variable Interest Entities:</i>				
Beijing Qianxiang Wangjing Technology Development Co., Ltd. ("Qianxiang Wangjing")	November 11, 2008	PRC	N/A	Internet business
Beijing Wole Shijie Information Technology Co., Ltd. ("Wole Shijie")	October 27, 2011	PRC	N/A	Technology development and service
Beijing Kirin Wings Technology Development Co., Ltd.	January 16, 2013	PRC	N/A	Internet business
Shanghai Wangjing Commercial Factoring Co., Ltd.	July 28, 2015	PRC	N/A	Factoring business
Beijing Jingwei Zhihui Information Technology Co., Ltd. ("Jingwei Zhihui")	March 19, 2014	PRC	N/A	Internet business
Shanghai Wangjing Investment Management Co., Ltd.	April 20, 2015	PRC	N/A	Internet business
Shanghai Mumian Interactive Internet Information Service Co., Ltd.	June 16, 2016	PRC	N/A	IVAS business
Fenqi Winday Company Limited,	February 29, 2016	Hong Kong	N/A	Internet business
Guangzhou Qunge Information Technology Co., Ltd.	August 26, 2016	PRC	N/A	IVAS business
Shanghai Heiguo Internet Information Technology Co., Ltd.	February 27, 2017	PRC	N/A	Investment holding
Renren Zhencai Technology Development (Beijing) Co., Ltd.	December 15, 2017	PRC	N/A	Investment holding
Jieying Baolufeng Automobile Sales (Shenyang) Co., Ltd.	June 14, 2017	PRC	N/A	Automobile business
Chongqing Jieying Shangyue Automobile Sales Co., Ltd.	July 3, 2017	PRC	N/A	Automobile business
Jiangsu Jieying Ruineng Automobile Sales Co., Ltd.	May 16, 2017	PRC	N/A	Automobile business
Dalian Yiche Jieying Automobile Sales Co., Ltd.	June 27, 2017	PRC	N/A	Automobile business
Henan Jieying Hengxin Automobile Sales Co., Ltd.	June 29, 2017	PRC	N/A	Automobile business
Shanxi Jieying Weilan Automobile Sales and Service Co., Ltd.	March 13, 2018	PRC	N/A	Automobile business

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Shandong Jieying Huaqi Automobile Service Co., Ltd.	July 20, 2017	PRC	N/A	Automobile business
Neimenggu Jieying Kaihang Automobile Sales Co., Ltd.	July 14, 2017	PRC	N/A	Automobile business
Hangzhou Jieying Yifeng Automobile Sales Co., Ltd.	August 1, 2017	PRC	N/A	Automobile business
Jilin Jieying Taocheguan Automobile Sales Co., Ltd.	October 31, 2017	PRC	N/A	Automobile business
Suzhou Jieying Chemaishi Automobile Sales Co., Ltd.	October 27, 2017	PRC	N/A	Automobile business
Cangzhou Jieying Bole Automobile Sales Co., Ltd.	August 10, 2017	PRC	N/A	Automobile business
Shanghai Jieying Diyi Automobile Sales Co., Ltd.	October 19, 2017	PRC	N/A	Automobile business
Ningxia Jieying Xianzhi Automobile Sales Co., Ltd.	July 26, 2017	PRC	N/A	Automobile business
Wuhan Jieying Chimei Automobile Sales Co., Ltd.	November 20, 2017	PRC	N/A	Automobile business

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

PRC regulations currently limit direct foreign ownership of business entities providing automobile sales, value-added telecommunications services, online advertising services and internet services in the PRC where certain licenses are required for the provision of such services. To comply with these PRC regulations, the Company conducts substantially all of its businesses through the VIE Qianxiang Tiancheng as well as its respective subsidiaries. Prior to March 2016, the Company also conducted its business through a VIE Jingwei Zhihui, which became a wholly owned subsidiary of Qianxiang Tiancheng in March 2016. Qianxiang Tiancheng is mainly engaged in the provision of online advertising, IVAS and internet finance services. Jingwei Zhihui is mainly engaged in the provision of internet finance services. From June 2017, the Company also operates the used car trading business through a newly found VIE, Shanghai Jieying.

Qianxiang Shiji ("WFOE"), a wholly owned subsidiary of CIAC, and Shanghai Renren Automotive Technology Co., Ltd, or Shanghai Automotive ("WFOE"), a wholly owned subsidiary of Jet Sound Hong Kong Company Limited., entered into a series of contractual arrangements with the VIEs that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the Company's consolidated financial statements. In making the conclusion that the Company is the primary beneficiary of the VIEs, the Company believes the Company's rights under the terms of the exclusive option agreement and power of attorney are substantive given the substantive participating rights held by SB Pan Pacific Corporation as it relates to operating matters, which provide it with a substantive kick out right.

More specifically, the Company believes the terms of the contractual agreements are valid, binding and enforceable under PRC laws and regulations currently in effect. In particular the Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the exclusive option does not represent a financial barrier or disincentive for the Company to currently exercise its rights under the exclusive option agreement. A simple majority vote of the Company's board of directors is required to pass a resolution to exercise the Company's rights under the exclusive option agreement, for which the consent from Mr. Joe Chen, who holds the most voting interests in the Company and is also the Company's chairman and CEO, is not required. The Company's rights under the exclusive option agreement give the Company the power to control the shareholders of the VIEs and thus the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, the Company's rights under the powers of attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIEs' economic performance. The Company also believes that this ability to exercise control ensures that the VIEs will continue to execute and renew service agreements and pay service fees to the Company. By charging service fees at the sole discretion of the Company, and by ensuring that service agreements are executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from the VIEs.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The VIEs and their subsidiaries hold the requisite licenses and permits necessary to conduct the Company's business under the current business arrangements.

The contractual agreements below provide the Company with the power to direct the activities that most significantly affect the economic performance of the VIEs and enable the Company to receive substantially all of economic benefits and absorb the losses of the VIEs.

- (1) *Power of Attorney*: WFOEs hold irrevocable power of attorney executed by the legal owners of the VIEs to exercise their voting rights on, including but not limited to dividend declaration, all matters at meetings of the legal owners of the VIEs and through such power of attorney has the right to control the operations of the VIEs. The power of attorney for Qianxiang Tiancheng will remain in force for ten years until December 22, 2020, and will be automatically renewed upon the extension of the terms of the relevant business operations agreements until the earlier of the following events: (i) nominee loses his/her position in Qianxiang Shiji or Qianxiang Shiji issue a written notice to dismiss or replace nominee; and (ii) the business operations agreements among Qianxiang Shiji, Qianxiang Tiancheng and Qianxiang Tiancheng's shareholders terminate or expire. The power of attorney for Shanghai Jieying became effective on August 18, 2017 and will remain effective as long as Shanghai Jieying exist. The shareholders of Shanghai Jieying do not have the right to terminate or revoke the power of attorney without the prior written consent of Shanghai Automotive.
- (2) *Business Operations Agreement*: The business operations agreements specifically and explicitly grant WFOEs the principal operating decision making rights, such as appointment of the directors and executive management, of the VIEs.

The terms of the business operations agreements are ten years and will be extended automatically for another ten years unless the WFOEs provide a 30-day advance written notice to the VIEs and to each of the VIEs' shareholders requesting not to extend the term three months prior to the expiration dates of December 22, 2020 and August 17, 2027, respectively. Neither the VIEs nor any of the VIEs' shareholders may terminate the agreements during the terms or the extensions of the terms.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- (3) *Exclusive Equity Option Agreement:* Under the exclusive equity option agreement, the WFOEs have the exclusive right to purchase the equity interests of the VIEs from the registered legal equity owners as far as PRC regulations permit a transfer of legal ownership to foreign ownership. The WFOEs can exercise the purchase right at any portion and any time in the 10-year agreement period.

Without the WFOE's consent, the VIEs' shareholders shall not transfer, donate, pledge, or otherwise dispose their equity shareholdings in the VIEs in any way. The equity option agreement will remain in full force and effect until the earlier of: (i) the date on which all of the equity interests in the VIEs have been acquired by the respective WFOE or its designated representative(s); or (ii) the receipt of the 30-day advance written termination notice issued by the respective WFOE to the shareholders of the VIEs. The term of these agreements will be automatically renewed upon the extension of the term of the relevant exclusive equity option agreement.

- (4) *Spousal Consent Agreement:* The spouse of each of the shareholders of Qianxiang Tiancheng acknowledged that certain equity interests of Qianxiang Tiancheng held by and registered in the name of his/her spouse will be disposed of pursuant to the equity option agreements. These spouses understand that such equity interests are held by their respective spouse on behalf of Qianxiang Shiji, and they will not take any action to interfere with the disposition of such equity interests, including, without limitation, claiming that such equity interests constitute communal property of marriage.

The spouse of each of the shareholders of Shanghai Jieying acknowledged that certain equity interests of Shanghai Jieying, held by and registered in the name of his/her spouse would be disposed of pursuant to the loan agreement, equity option agreement and equity interest pledge agreement of which they were respectively a party, and they will not take any action to interfere with such arrangement, including claiming that such equity interests constitute property or communal property between his/her spouse and himself/herself.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- (5) *Exclusive Technical and Consulting Services Agreement:* The WFOEs and registered shareholders irrevocably agree that the WFOEs shall be the exclusive technology service provider to the VIEs in return for a service fee which is determined at the sole discretion of the WFOEs.

The term of each of agreement is ten years and will be extended automatically for another ten years unless terminated by the WFOEs. The WFOEs can terminate the agreement at any time by providing a 30-day prior written notice. The VIEs are not permitted to terminate the agreements prior to the expiration of the terms by December 22, 2020 and August 17, 2027, respectively, unless the WFOEs fail to comply with any of their obligations under this agreement and such breach makes the WFOEs unable to continue to perform the agreements.

- (6) *Intellectual Property License Agreement:* The WFOEs and registered shareholders agree that the WFOEs shall have the exclusive right to license its intellectual property rights to the VIEs in return for a license fee. The license fee is determined at the discretion of the Company. The term of these agreements will be automatically renewed upon the extension of the term of the relevant intellectual property license agreement.

The term of the agreement will be extended for another five years with both parties' consents. The WFOEs may terminate the agreement at any time by providing a 30-day prior written notice. Any party may terminate the agreement immediately with written notice to the other party if the other party materially breaches the relevant agreement and fails to cure its breach within 30 days from the date it receives the written notice specifying its breach from the non-breaching party. The parties will review the agreement every three months and determine if any amendment is needed.

- (7) *Loan Agreements:* Under loan agreements between the WFOEs and each of the shareholders of the VIEs, the WFOEs made interest-free loans to the shareholders exclusively for the purpose of the initial capitalization and the subsequent financial needs of the VIEs. The loans can only be repaid with the proceeds derived from the sale of all of the equity interests in the VIEs to the WFOEs or their designated representatives pursuant to the equity option agreements. The term of each of these loans is ten years from the actual drawing down of such loans by the shareholders of the VIEs, and will be automatically extended for another ten years unless a written notice to the contrary is given by the WFOEs to the shareholders of the VIEs three months prior to the expiration of the loan agreements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- (8) *Equity Interest Pledge Agreement*: Shareholders of the VIEs have pledged all of their equity interests in the VIEs with their respective WFOEs and the WFOEs are entitled to certain rights to sell the pledged equity interests through auction or other means if the VIEs or the shareholders default in their obligations under other above-stated agreements.

These agreements are substantially the same, and that the equity interest pledge has become effective and will expire on the earlier of: (i) the date on which the VIEs and their shareholders have fully performed their obligations under the loan agreements, the exclusive technical service agreement, the intellectual property right license agreement and the equity option agreements; (ii) the enforcement of the pledge by the WFOEs pursuant to the terms and conditions under this agreement to fully satisfy its rights under such agreements; or (iii) the completion of the transfer of all equity interests of the VIEs by the shareholders of the VIEs to another individual or legal entity designated by the WFOEs pursuant to the equity option agreement and no equity interests of the VIEs are held by such shareholders.

Risks in relation to the VIE structure

The Company and the Company's legal counsel believe that Qianxiang Shiji's and Shanghai Automotive's contractual arrangements with the VIEs are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIEs were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- Revoke the business and operating licenses of the WFOEs, the VIEs and their subsidiaries;
- Discontinue or restrict the operations of any related-party transactions among the WFOEs, the VIEs and their subsidiaries;
- Impose fines or other requirements on the WFOEs, the VIEs and their subsidiaries;
- Require the Company or the WFOEs, the VIEs and their subsidiaries to revise the relevant ownership structure or restructure operations; and/or
- Restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Company's business and operations in China.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The Company's ability to conduct its business including online advertising, online talent show, other internet value added services, used car trading business and internet finance services may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Company may not be able to consolidate the VIEs and the VIEs' subsidiaries in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and the VIEs' subsidiaries and shareholders, and it may lose the ability to receive economic benefits from the VIEs and the VIEs' subsidiaries.

Certain shareholders of the VIEs are also shareholders of the Company. The interests of the shareholders of the VIEs may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of the VIEs will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of the VIEs may encounter in their capacity as beneficial owners and directors of the VIEs. The Company believes the shareholders of the VIEs will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Company with a mechanism to remove the current shareholders of the VIEs as beneficial shareholders of the VIEs should they act to the detriment of the Company. The Company relies on the current shareholders of VIEs whom also are directors and executive officers of the Company, to fulfill their fiduciary duties and abide by laws of Cayman Islands and act in the best interest of the Company or that conflicts will be resolved in the Company's favor. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of the VIEs, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The Company's ability to control the VIEs also depends on the power of attorney that the WFOEs have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The following financial statement balances and amounts of the Company's VIEs were included in the accompanying consolidated financial statements after elimination of intercompany balances and transactions between the offshore companies, WFOEs, VIEs and VIEs' subsidiaries. As of December 31, 2017 and 2018, the balance of the amounts payable by the VIEs and their subsidiaries to the WFOEs related to the service fees were \$ nil.

	As of December 31,	
	2017	2018
Cash and cash equivalents	\$ 5,198	\$ 9,363
Restricted cash	51	-
Accounts receivable, net	1,423	2,215
Financing receivable, net	145	-
Inventory	95,012	57,859
Prepaid expenses and other current assets	35,686	46,247
Amounts due from related parties	865	20,008
Assets of discontinued operations - current	15,646	-
Total current assets	<u>154,026</u>	<u>135,692</u>
Property and equipment, net	491	489
Long-term investments	11,901	1,900
Goodwill	89,274	64,364
Amounts due from a related party - non-current	-	40,000
Restricted cash – non-current	345	363
Other non-current assets	468	747
Assets of discontinued operations – non-current	32,116	-
Total non-current assets	<u>134,595</u>	<u>107,863</u>
Total assets	<u>\$ 288,621</u>	<u>\$ 243,555</u>
Accounts payable	\$ 18,525	\$ 6,849
Short-term debt	12,296	29,816
Accrued expenses and other current liabilities	15,644	19,135
Payable to investors	7,153	15
Amounts due to related parties	7,013	28
Deferred revenue	10,108	3,099
Contingent consideration	5,944	11,929
Income tax payable	9,455	10,920
Current liabilities of discontinued operations	3,786	-
Total current liabilities	<u>89,924</u>	<u>81,791</u>
Long-term contingent consideration	<u>60,850</u>	<u>88,098</u>
Total non-current liabilities	<u>60,850</u>	<u>88,098</u>
Total liabilities	<u>\$ 150,774</u>	<u>\$ 169,889</u>

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

	Years ended December 31,		
	2016	2017	2018
Net revenues	\$ 46,040	\$ 153,759	\$ 486,388
Loss from continuing operations	\$ (13,035)	\$ (19,250)	\$ (82,304)
Loss from discontinued operations	\$ (18,133)	\$ (22,995)	\$ (5,220)

	Years ended December 31,		
	2016	2017	2018
Net cash provided by (used in) operating activities	\$ 68,374	\$ (146,911)	\$ (14,403)
Net cash (used in) provided by investing activities	\$ (187,621)	\$ 22,943	\$ (11,441)
Net cash provided by financing activities	\$ 148,080	\$ 37,208	\$ 27,018

The VIEs contributed an aggregate of 97.0%, 88.1% and 97.6% of the consolidated net revenues for the years ended December 31, 2016, 2017 and 2018, respectively. As of the fiscal years ended December 31, 2017 and 2018, the VIEs accounted for an aggregate of 24.2% and 55.7%, respectively, of the consolidated total assets, and 31.1% and 66.3%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs primarily consist of cash and cash equivalents and long-term investments.

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligations. There are no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, which require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 26 for disclosure of restricted net assets.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Consolidated Plans

In January 2016 and September 2016, the Company originated the issuance of two Shanghai Renren Finance Leasing Asset-Backed Special Plans, approximating \$46.1 million (RMB299.8 million) and \$78.5 million (RMB510.6 million), respectively. The Plans are collateralized by certain financing receivables arising from the Company's used car financing business. The plan expired by the end of May 2018.

The Plans consist of three tranches: AAA-rated senior securities (covering 68.0% and 70.5% of the total securities issued, respectively) and AA-rated senior securities (covering 10.5% and 11.0% of the total securities issued, respectively) which were purchased by external investors, and subordinate securities (covering 21.5% and 18.5% of the total securities issued, respectively) held by the Company. The Company also provided a guarantee to secure the full repayment of the principal and interest of the external investors in the Plans.

The Company holds significant variable interests in the Plans through holding the subordinate securities and the guarantee provided, from which the Company has the right to receive benefits from the Plans that could potentially be significant to the Plans.

The Company also has power to direct the activities of the Plans that most significantly impact the economic performance of the Plans by making revolving purchases of underlying financing receivables and providing payment collection services from the underlying financing receivables.

Accordingly, the Company is considered the primary beneficiary of the Plans and has consolidated the Plans' assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

The assets of the Plans are not available to creditors of the Company. In addition, the investors of the Plans have no recourse against the assets of the Company.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Consolidated Plans-continued

The following financial statement amounts and balances of the Plans were included in the accompanying consolidated financial statements after elimination of intercompany transactions and balances:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Financing receivable, net	\$ 78,485	\$ -
Total assets	<u>\$ 78,485</u>	<u>\$ -</u>
Accrued expenses and other current liabilities	\$ 4	\$ -
Payable to investors	64,087	-
Total liabilities	<u>\$ 64,091</u>	<u>\$ -</u>

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net revenues	-	-	-
Net loss	<u>\$ 375</u>	<u>\$ 91</u>	<u>\$ 36</u>

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net cash provided by operating activities	-	-	-
Net cash provided by investing activities	-	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>-</u>

RENREN INC.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Liquidity

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company's ability to generate cash flows from operations, and the Company's ability to arrange adequate financing arrangements.

As of December 31, 2018, the Company had working capital of \$29,248, a shareholders' equity of \$147,465, including an accumulated deficit of \$563,737. For the year ended December 31, 2018, the Company incurred losses from continuing operations amounting to \$158,817 and generated negative cash flows from operating activities amounting to \$60,239. Prior to the consideration of the management's plans articulated below, these factors raise substantial doubt about the Company's ability to continue as a going concern for the foreseeable future. Subsequent to December 31, 2018, the Company and KAH have entered into the following agreements which mitigate these factors:

- In January 2019, Kunlun Tech Limited ("Kunlun"), KAH and Kaixin entered into a convertible loan agreement pursuant to which Kunlun has agreed to invest US\$23 million into Kaixin. US\$20 million of the loan was advanced to Kaixin on January 28, 2019, and the remaining US\$3 million is to be paid by January 31, 2020.
- In January 2019, KAH entered into a subscription agreement with a third-party investor to sell 750,000 of its units (each unit having the same underlying securities as were issued in KAH's initial public offering) at a price of US\$10.00 per unit. The private placement of US\$7.5 million was received by KAH on May 2, 2019, which will further provide liquidity for Kaixin's future operations.
- In January 2019, the Company received US\$ 3 million for the disposal of Renren SNS Business as set out in Note 4. On May 6, 2019, the Company obtained a signed commitment letter from Beijing Infinities Interactive Media Co., Ltd ("Beijing Infinities") which stated that the remaining cash consideration of US\$17 million is expected to be received before June 30, 2019.
- In April 2019, 58.com Holdings Inc. ("58.com"), KAH and Kaixin entered into a convertible loan agreement pursuant to which 58.com has agreed to invest US\$1 million into Kaixin. The proceeds from the loan were received on April 30, 2019.
- In April 2019, the Company entered into a long-term borrowing agreement with East West Bank for a total credit up to US\$7.3 million. The loan bears an annual interest rate of 5.22%, and has a loan period of 18 months. On April 12, 2019, US\$5.8 million had been extended to the Company by East West Bank, and the Company will be able to further utilize the remaining credit of US\$1.5 million as needed during the loan period.

As a result of the above activities and plans, the Company believes that it will have adequate sources of liquidity and capital resources to support its daily operations for the next 12 months after the issuance of the consolidated financial statements.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Principles of consolidation

The consolidated financial statements of the Company include the financial statements of Renren Inc., its subsidiaries, its VIEs and VIEs' subsidiaries. All inter-companies transactions and balances are eliminated upon consolidation.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The Company uses a screen test to evaluate whether a transaction should be accounted for as an acquisition and/or disposal of a business versus assets. In order for a purchase to be considered an acquisition of a business, the set of transferred assets and activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then the set of transferred assets and activities is not a business.

The purchase price of business acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred.

Where the consideration in an acquisition includes contingent consideration and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Company's consolidated financial statements include, but are not limited to, revenue recognition, allowance for financing receivable, allowance for doubtful accounts, share-based compensation, deferred tax valuation allowance, income taxes, value-added tax, impairment of goodwill and indefinite-lived intangible assets, long-term available-for-sale investments, and equity investment without readily determinable fair values, impairment of long-term investments, the price purchase allocation and the fair value of contingent consideration for business acquisition.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand.

RENREN INC.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Restricted cash

Restricted cash primarily consists of cash deposits used to secure debt borrowings of the Company which is expected to be released in accordance with the debt agreement.

The restriction will lapse when the related debt agreement is paid off. The current portion of restricted cash represents cash deposited into bank accounts which is expected to be released within the next twelve months. The non-current portion of restricted cash represents cash deposited into bank accounts which is not expected to be released within the next twelve months. Non-current restricted cash amounted to \$26,075 and \$36,362 were recorded as non-current assets in the Company's consolidated balance sheet as of December 31, 2017 and 2018.

Fair value

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 it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1-inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2-inputs are based upon 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 and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3-inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Long-term Investments

Equity method investments

Equity investment in common stock or in-substance common stock of an entity where the Company can exercise significant influence, but not control, is accounted for using the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock of the investee between 20% and 50%. Other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements are also considered in determining whether the equity method of accounting is appropriate. An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. The Company considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity's common stock.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments - continued

Long-term investments - continued

Equity method investments - continued

Under the equity method, the investment is initially recorded at cost and adjusted for the Company's share of undistributed earnings or losses of the investee. Investment losses are recognized until the investment is fully written down as the Company does not guarantee the investee's obligations nor is committed to provide additional funding.

When the Company's carrying value in an equity method affiliated company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed obligations of the affiliated company or has committed additional funding. When the affiliated company subsequently reports income, the Company will not record its share of such income until it exceeds the amount of its share of losses not previously recognized.

The Company's management regularly evaluates the impairment of the equity investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary ("OTTI"). The Company did not record impairment losses on equity method investments during the years ended December 31, 2016, 2017 and 2018.

Equity Investments without Readily Determinable Fair Values

Historically, for investee companies over which the Company did not have significant influence and a controlling interest, the Company accounted for these as cost method investments under ASC 325-20. In January, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01, Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities, and accounts for equity investments that do not have a readily determinable fair value using the measurement alternative prescribed within ASU 2016-01, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment. The Company did not record impairment losses on equity securities without readily determinable fair values during the years ended December 31, 2016, 2017 and 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments - continued

Long-term investments – continued

Equity Investments with Readily Determinable Fair Values

The Company adopted ASU No. 2016-01 on January 1, 2018. As a result, all equity investments with readily determinable fair values (other than those accounted for using the equity method of accounting) are measured at fair value with changes in fair value recorded in the consolidated statements of operations. Those investments were previously accounted as available-for-sale investments with changes in fair value recorded in other comprehensive income (loss).

Available-for-sale investment

For investments which are determined to be debt securities, the Company accounts for them as long-term available-for-sale investments when they are not classified as either trading or held-to-maturity investments.

Available-for-sale investment is carried at its fair value and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive (loss) income.

The Company reviews its available for sale investments for other than temporary impairment based on the specific identification method. The Company considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds the investment's fair value, the Company considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, the Company's intent and ability to hold the investment, and the financial condition and near term prospects of the investees.

If there is OTTI on debt securities, the Company separates the amount of the OTTI into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings, which represents the difference between a security's amortized cost basis and the discounted present value of expected future cash flows. The amount due to other factors is recognized in other comprehensive (loss) income if the entity neither intends to sell and will not more likely than not be required to sell the security before recovery. The difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income. The Company did not record impairment losses on its available-for-sale investment during the years ended, 2016, 2017 and 2018.

Accounts receivable and allowance for doubtful accounts

Accounts receivable represents those receivables derived in the ordinary course of business from continuing operations which mainly consists of IVAS. An allowance for doubtful accounts is provided based on aging analyses of accounts receivable balances, historical bad debt rates, repayment patterns and customer credit worthiness.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financing receivable

Financing receivable represents receivables derived from the internet finance business. Financing receivable is recorded at amortized cost, reduced by a valuation allowance estimated as of the balance sheet date. The amortized cost of a financing receivable is equal to the unpaid principal balance, plus net deferred origination costs. Net deferred origination costs are comprised of certain direct origination costs, net of origination fees received. Origination fees include fees charged to the individuals or companies that increase the financing's effective yield. Direct origination costs in excess of origination fees received are included in the financing receivable and amortized over the financing term using the effective interest method. Financing origination costs are limited to direct costs attributable to originating the financing, including commissions and personnel costs directly related to the time spent by those individuals performing activities related to the origination.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Allowance for financing receivable

An allowance for financing receivable is established through periodic charges to the provision for financing receivable losses when the Company believes that the future collection of principal is unlikely. Subsequent recoveries, if any, are recorded as credits against the allowance. The Company evaluates the creditworthiness of its portfolio based on a pooled basis due to the composition of homogeneous financing with similar size and general credit risk characteristics for similar financing businesses. The Company considers the credit worthiness of the individuals and the companies receiving financing, aging of the outstanding financing receivable and other specific circumstances related to the financing when determining the allowance for financing receivable. The allowance is subjective as it requires material estimates including such factors as known and inherent risks in the financing portfolio, adverse situation that may affect the ability of the individuals and the companies receiving financing to repay and current economic conditions. Recovery of the carrying value of financing receivable is dependent to a great extent on conditions that are beyond the Company's control.

Nonaccrual financing receivable

Financing income is calculated based on the contractual rate of the financing and recorded as financing income over the life of the financing using the effective interest method. Financing receivables are placed on non-accrual status upon reaching 90 days past due for these arising from financing for installment sales and apartment rental financing, or when reasonable doubt exists as to the full, timely collection of the financing receivable. When a financing receivable is placed on non-accrual status, the Company stops accruing financing income. Financing receivable is returned to accrual status if the related individual or company has performed in accordance with the contractual terms for a reasonable period of time and, in the Company's judgment, will continue to make period principal and financing income payments as scheduled. The Company writes off its nonaccrual financing receivable by considering factors including (i) death of the borrower; or (ii) its inability to reach the borrower.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Transfer of financial instruments

Sales and transfers of financial instruments are accounted under authoritative guidance for the transfers and servicing of financial assets and extinguishment of liabilities.

Through the peer-to-peer platforms and the Plans, the Company identifies individual investors and transfers creditors' rights originated from the aforementioned financing services to the individual investors. The Company further offers different investment periods to investors with various annual interest rates while those credit rights are held by the investors. The term of the sales require the Company to repurchase those creditors' rights from investors prior to or upon the maturity of the investment period. As a result, the sales of those creditors' rights are not accounted for as a sale and remain on the consolidated balance sheet and are recorded as payable to investors in the Company's consolidated balance sheet.

Inventory

Inventory primarily consists of the purchased used and new automobiles. Inventory cost is determined by specific identification. Net realizable value is the estimated selling price less costs to complete, dispose and transport the vehicles. Selling prices are derived from historical data and trends, such as sales price and inventory turn times of similar vehicles, as well as independent, market resources. Each reporting period the Company recognizes any necessary adjustments to reflect vehicle inventory at the lower of cost or net realizable value through cost of sales in the accompanying consolidated statements of operations.

Inventory write-downs are established based on management's review on a vehicle-by-vehicle basis for slow moving and obsolete items. On a quarterly basis, the management examines an inventory report. The vehicle is considered slow moving if it has not been sold within a 90 days period since procurement, in light of the fact that the Company's average inventory turnover days during the years ended December 31, 2017 and 2018, were 80 days and 63 days, respectively. In estimating the level of inventory write-downs for slow moving vehicles, the Company considers historical data and forecasted customer demand, such as sales price and inventory turn times of similar vehicles with similar mileage and condition, as well as independent, market information. This valuation process requires management to make judgements, based on currently available information, and assumptions about future demand and market conditions, which are inherently uncertain. To the extent that there are significant changes to estimated vehicle selling prices or decreases in demand for used vehicles, there could be significant adjustment to reflect inventory at net realizable value.

In August 2018, Shandong Jieying Huaqi Auto Service Co. ("Ji'nan Dealership", a subsidiary of the Company's VIE's) received a notice from the local police regarding an investigation of the dealership's premises. The Company believes the investigation is an isolated individual activity of the minority shareholder who holds 30% of the Ji'nan Dealership's equity interest. Certain assets of Ji'nan Dealership are not accessible pursuant to the investigation. In connection with these events, the Company determined that it is probable that it cannot enforce the realization of the inventory value at the Ji'nan Dealership. As a result, the Company wrote off all inventory which totaled US\$5.7 million during the year ended December 31, 2018.

Property and equipment, net

Property and equipment, net is carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Building	46 years
Computer equipment and application software	2-3 years
Furniture and vehicles	5 years
Leasehold improvements	Over the lesser of the lease term or useful life of the assets

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets with indefinite lives

Intangible assets with indefinite lives mainly include trademark and licenses. If an intangible asset is determined to have an indefinite life, it is not be amortized until its useful life is determined to be no longer indefinite. An intangible asset that is not subject to amortization is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of comparing the fair values of assets and their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. For the years ended December 31, 2016, 2017 and 2018, the Company did not record impairment loss for intangible assets with indefinite lives.

Impairment of long-lived assets and intangible assets with definite lives

Long-lived assets, such as property and equipment and definite-lived intangible assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization is computed using the straight-line method.

The Company evaluates the recoverability of long-lived assets, including identifiable intangible assets, with determinable useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected undiscounted future net cash flows is 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. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. For the years ended December 31, 2016, 2017 and 2018, the Company recorded impairment losses of \$nil, \$nil and \$675 for definite-lived intangible assets, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations.

Goodwill is not amortized, but tested for impairment upon first adoption and annually, or more frequently if event and circumstances indicate that they might be impaired. The Company has an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, and assumptions that are consistent with the plans and estimates being used to manage the Company's business, estimation of the long-term rate of growth for the Company's business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. In estimating the fair value of each reporting unit the Company estimates the future cash flows of each reporting unit, the Company has taken into consideration the overall and industry economic conditions and trends, market risk of the Company and historical information.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Company recognizes revenue when control of the good or service has been transferred to the customer, generally either at the time of sale or upon delivery to a customer. The contracts have a fixed contract price and revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company collect value added tax and other taxes from customers on behalf of governmental authorities at the time of sale. These taxes are accounted for on a net basis and are not included in net sales and operating revenues or cost of sales. The Company generally expense sales commissions when incurred because the amortization period would have been less than one year. These costs are recorded within selling expenses. The Company does not have any significant financing payment terms as payment is received at or shortly after the point of sale.

The Company adopted the Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers (“ASC 606”) on January 1, 2018 using the modified retrospective method. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Based on the manner in which the Company historically recognized revenue, the adoption of ASC 606 did not have a material impact on the amount or timing of its revenue recognition and the Company recorded no cumulative effect adjustment upon adoption. Additionally, the Company concluded that revenue generated from internet finance services is excluded from the scope of the new revenue standard as it represents revenue within the scope of ASC 310, Receivables, which is explicitly excluded from the scope of ASC 606.

The Company’s revenues include revenue from its used car sales, revenue from IVAS and others as well as revenue related to its finance services.

Disaggregation of Revenue

The Company’s revenues include revenue from its used car sales, revenue from IVAS and others as well as revenue related to its finance services. The following table illustrates the Company’s revenue disaggregated by segments:

	Years ended December 31,		
	2016	2017	2018
Renren	\$ 18,097	\$ 21,931	\$ 19,122
Auto Group	29,384	152,693	479,076
Total	<u>\$ 47,481</u>	<u>\$ 174,624</u>	<u>\$ 498,198</u>

The following table presents the Company’s revenues disaggregated by revenue types.

	Years ended December 31,		
	2016	2017	2018
Automobile sales	\$ —	\$ 121,084	\$ 467,232
IVAS and others	18,164	24,271	28,510
Financing income	29,317	29,269	2,456
Total	<u>\$ 47,481</u>	<u>\$ 174,624</u>	<u>\$ 498,198</u>

Revenues from automobile sales were generated by the Auto Group segment.

Revenues from IVAS and others were US\$18,164, US\$24,271 and US\$28,510, for the years ended December 31, 2016, 2017 and 2018, respectively, among which, US\$ 18,096, US\$ 21,931 and US\$ 18,983 were generated by the Renren segment, and the remaining IVAS and others revenues were generated by the Auto Group segment.

Revenues from financing income were US\$29,317, US\$29,269 and US\$2,456, for the years ended December 31, 2016, 2017 and 2018, respectively, among which, US\$ 1, US\$ nil and US\$ 139 were generated by the Renren segment, and the remaining financing income revenues were generated by the Auto Group segment.

Automobile sales

The Company purchases automobiles from unrelated individuals, third party dealerships or manufacturers and suppliers and sells them directly to its customers through its local dealerships. The prices of used vehicles are set forth in the customer contracts which are agreed prior to delivery. The Company satisfies its performance obligation for used vehicle sales upon delivery when the transfer of title, risks and awards of ownership and control pass to the owner. The Company recognizes revenue at the agreed upon purchase price stated in the contract, including any delivery charges. When cash is received from customers prior to delivery of the vehicle, the Company records such cash as advance from customers in its consolidated balance sheet, which is immaterial as of December 31, 2018.

IVAS and others

The Company’s IVAS revenues mainly include live streaming revenue. The Company designs, creates and offers various virtual items for sales to

users with pre-determined stand-alone selling price. Revenue related to each of consumable virtual items as a single performance obligation provided on a consumption basis, is recognized at the point in time when the virtual item is transferred directly to the users and consumed by them.

The Company's other revenues mainly include revenue generated from agency fees in connection with arrangement with third party dealers whereas the company facilitates sales of their cars. The Company does not control the ownership of the automobiles, but rather is acting as an agent for the third party dealers. Revenue is recognized for the net amount of commission the Company is entitled to retain in exchange for the agency service. Other revenues also includes commissions received by the Company from insurance companies and banks for its facilitation services provided to assist customers obtaining related insurance and financing for their automobile purchases.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Financing services

The Company provides short-term financing services to used car dealers to fund the car dealers' cash needs for used car purchasing. The financing period is no more than six months and is secured by a pledge of the dealers' used car with total value exceeding the principal of the financing. The Company charges an upfront service fee as well as financing income on a monthly basis. The Company records financing income and service fees related to those services over the life of the underlying financing using the effective interest method on the unpaid principal amounts. The service fees collected upfront, netting the direct origination costs of the financing, are deferred and recognized as financing income as an adjustment to the yield on a straight line basis over the life of the used car financing. Revenue related to used car financing services amounted to \$17,854, \$25,399 and \$2,297 during the years ended December 31, 2016, 2017 and 2018. The remaining financing income in the respective periods related to crediting financing provided to college students as well as apartment rental financing, both of which were terminated during the year ended December 31, 2016.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when the Company has satisfied the Company's performance obligation and has the unconditional right to payment. The balance of accounts receivable, net of allowance for doubtful accounts were \$2,730 and \$2,635 as of December 31, 2017 and 2018, respectively. There were no contract assets recorded as of December 31, 2017 and 2018.

Deferred revenue mainly consists of payments received from customers related to unsatisfied performance obligations for IVAS business at the end of the period. Advance from customers represent cash received from customers prior to delivery of the vehicle, which was included in accrued expenses and other current liabilities in the Company's consolidated balance sheets. As of December 31, 2017, the Company's total deferred revenue was \$11,433, of which \$11,245 was recognized as revenue for the year ended December 31, 2018. The Company's total unearned revenue was \$ 3,716 as of December 31, 2018.

The Company applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include certain commissions paid to intermediaries of automobile sales. The Company has no material incremental costs of obtaining contracts with customers that the Company expects the benefit of those costs to be longer than one year which need to be recognized as assets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cost of revenues

Cost of revenues consists of costs directly related to automobile sales, IVAS business and others as well as costs incurred related to the used car financing operations which mostly include interest expenses paid to investors on Renren Licai and interest paid for asset-backed securities. Cost of revenue also includes allowances for financing receivable loss which amounted to \$12,436, \$12,745 and \$10,802 during the years ended December 31, 2016, 2017 and 2018, respectively.

Business taxes

The Company reports revenue net of business taxes. Business taxes deducted in arriving at net revenue during 2016, 2017 and 2018 were \$77, \$ nil and \$nil, respectively.

Value added taxes

Value-added taxes ("VAT") is also reported as a deduction to revenue when incurred and amounted to \$4,080, \$9,777 and \$15,796 for the years ended December 31, 2016, 2017 and 2018, respectively. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in accrued expense and other current liabilities on the consolidated balance sheet.

In 2018, the Company entered into a series of ancillary agreements to facilitate its sale of used cars for value-added tax optimization purposes. Under these ancillary agreements, when the Company sources a used car, the legal title of the car is transferred to an executive of the Company's subsidiary and the registration is transferred to the name of one of the dealership employees. The Company viewed itself as a service provider in the used car transactions, and therefore is only subject to value-added tax on the difference between the original purchase price and the retail price of the used cars.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

Deferred income taxes are recognized when temporary differences exist between the tax basis of assets and liabilities and their reported amounts in the financial statements and are recorded as non-current in the consolidated balance sheet. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance 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.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Company did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2016, 2017 and 2018, respectively.

Financial instruments

Financial instruments include cash and cash equivalents, restricted cash, accounts receivable, financing receivable, amounts due from/to related parties, long-term financing receivable, long-term investments, accounts payable, short-term debt, payable to investors and long-term debt. Refer to Note 18 for further details.

Research and development expenses

Research and development expenses are primarily incurred for development of new services, features and products for the Company's internet finance business, used automotive business, as well as to further improve the Company's technology infrastructure to support these businesses. The Company has expensed all research and development costs when incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar ("US dollar"). The financial records of the Company's subsidiaries and VIEs located in the PRC and Hongkong are maintained in their local currencies, Renminbi ("RMB") and Hong Kong Dollar ("HKD"), respectively, which are also the functional currencies of these entities.

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.

The Company's entities with functional currency of RMB and HKD, translate their operating results and financial positions into US dollar, the Company's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Equity amounts are translated at historical exchange rates. Revenues, expenses, gains and losses are translated using the average rates for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component in the statements of comprehensive (loss) income.

Comprehensive (loss) income

Comprehensive (loss) income includes net (loss) income, foreign currency translation adjustments and fair value changes of available-for-sale investments of the Company. Additionally, the Company's consolidated statement of comprehensive (loss) income also includes the cumulative effect adjustment for the net unrealised loss of equity securities with determinable fair value from accumulated other comprehensive income to the opening balance of accumulated deficit related to the adoption of ASU 2016-01 (see Note 2).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation

Share-based payment transactions with employees, 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 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 is accounted for as a modification of stock 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.

(Loss) income per share

Basic loss per ordinary share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share reflect the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Company had stock options, which could potentially dilute basic earnings per share in the future. Potential ordinary shares in the diluted net loss per share computation are excluded in periods of losses from continuing operations as their effect would be anti-diluted.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounting pronouncements newly adopted

In January, 2016, the FASB issued a new pronouncement ASU 2016-01, "Financial Instruments—Overall", which is intended to improve the recognition and measurement of financial instruments. The ASU affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities.

The new guidance makes targeted improvements to existing US GAAP by:

- Requiring 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;
- Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes;
- Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements;
- Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities;
- Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and
- Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. Adoption of the amendment must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, except for amendments related to equity instruments that do not have readily determinable fair values which should be applied prospectively. The Company adopted this ASU on January 1, 2018, and a cumulative-effect adjustment of \$7,363 was recorded to the beginning accumulated deficit of 2018.

In August 2016, the FASB issued a new pronouncement ASU 2016-15, which amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The ASU's amendments add or clarify guidance on eight cash flow issues:

- Debt prepayment or debt extinguishment costs.

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- Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing.
- Contingent consideration payments made after a business combination.
- Proceeds from the settlement of insurance claims.
- Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies.
- Distributions received from equity method investees.
- Beneficial interests in securitization transactions.
- Separately identifiable cash flows and application of the predominance principle.

For public business entities, the guidance in the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for all entities. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company has adopted the new standard as of January 1, 2018, which did not result in a material impact on its consolidated financial statements.

In November 2016, the FASB issued a new pronouncement, ASU 2016-18, which amends ASC 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. Key requirements of the ASU are as follows:

- An entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU does not define the terms “restricted cash” and “restricted cash equivalents” but states that an entity should continue to provide appropriate disclosures about its accounting policies pertaining to restricted cash in accordance with other GAAP. The ASU also states that any change in accounting policy will need to be assessed under ASC 250.
- A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents.
- Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows.
- An entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions.

For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments should be applied using a retrospective transition method to each period presented. The Company adopted this ASU beginning January 1, 2018 on a retrospective basis. The adoption of this guidance impacted the presentation and classification of restricted cash in the Company’s consolidated statements of cash flows. For the years ended December 31, 2017 and 2016, substantially all the changes in restricted cash amounting to \$39,049 and \$9,630 previously reported in investing activities and \$nil and \$100,000 previously reported in financing activities were reclassified to total cash, cash equivalents, and restricted cash in the statement of cash flows and has applied the changes to the consolidated statements of cash flows.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In July 2018, ASU 2016-02 was updated with ASU No. 2018-11, Targeted Improvements to ASC 842, which provides entities with relief from the costs of implementing certain aspects of the new leasing standard. Specifically, under the amendments in ASU 2018-11, (1) entities may elect not to recast the comparative periods presented when transitioning to ASC 842 (the "optional transition method") and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. Before ASU 2018-11 was issued, transition to the new lease standard required application of the new guidance at the beginning of the earliest comparative period presented in the financial statements. The Company is in the process of evaluating the effect of the adoption of this ASU and expects the adoption will result in an increase in the assets and liabilities on the consolidated balance sheet for the operating leases and will have an insignificant impact on the consolidated statements of operations.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which 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. The 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. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The 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 an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU is effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Companies are required to apply the amendments of this ASU using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than temporary impairment has been recognized before the effective date. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In January 2017, the FASB issued ASU 2017-04: Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. A public business entity should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In August 2018, the FASB issued ASU 2018-13 related to disclosure requirements for fair value measurements. The pronouncement eliminates, modifies and adds disclosure requirements for fair value measurements. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is currently in the process of evaluating the effects of this pronouncement on our consolidated financial statements, including potential early adoption.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to the Related Party Guidance for Variable Interest Entities. ASU 2018-17 changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportional basis, rather than in their entirety. This guidance will be adopted using a retrospective approach and is effective for the Company on January 1, 2020. The Company is evaluating the effect that adoption of this guidance will have on its consolidated financial statements and related disclosures.

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3. SIGNIFICANT RISKS AND UNCERTAINTIES

Foreign currency risk

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents of the Company included aggregate amounts of \$20,143 and \$11,118 at December 31, 2017 and 2018, respectively, which were denominated in RMB.

Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents, term deposits, short-term investment, accounts receivable, financing receivable and amounts due from related parties. The Company places their cash, cash equivalents, term deposits and short-term investment, with financial institutions with high-credit ratings and quality. The Company conducts credit evaluations of customers in online advertising and internet finance business, and requires collateral or other security from the customers for certain of the financing receivable as described in Note 7.

There were no customers that accounted for 10% or more of total net revenue for the years ended December 31, 2016, 2017 and 2018.

No customers accounted for 10% or more of the balance of accounts receivable or financing receivable as of December 31, 2017 and 2018.

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4. DISCONTINUED OPERATIONS

Disposition of Online Gaming

On November 19, 2015, the Company reached a resolution to dispose of its Online Gaming which was subsequently sold in March 2016 for a gross consideration of \$17,500, of which \$7,500 was related to the repayment of intercompany loans provided by the Company to its Online Gaming business. The disposal of the Online Gaming represented a strategic shift and has a major effect on the Company's result of operations. Accordingly, assets, liabilities, revenues and expenses and cash flows related to the Online Gaming entities have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. Additionally, long-lived assets classified as held for sale as of December 31, 2015 were measured at the lower of their carrying amount or fair value less cost to sell.

From March 31, 2016, the Company no longer retained power of control over Online Gaming and accordingly deconsolidated the Online Gaming's financial statement from the Company's consolidated financial statements.

On March 31, 2016, the Company calculated a gain regarding such disposition as follows:

	As of
	March 31, 2016
The proceeds	\$ 17,500
Less: The repayment of intercompany loans provided by the Company	<u>7,500</u>
Net consideration	<u>10,000</u>
Less: Cash and cash equivalents	15,982
Prepaid expenses and other current assets	2,737
Property and equipment, net	194
Intangible assets, net	263
Other non-current assets	1,508
Accounts payable	(1,209)
Accrued expenses and other current liabilities	(7,062)
Amount due to the Company	(7,500)
Deferred revenue	<u>(3,677)</u>
Net assets of Online Gaming	<u>1,236</u>
Less: Tax expenses	<u>454</u>
Gain on deconsolidation of Online Gaming	<u>\$ 8,310</u>

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4. DISCONTINUED OPERATIONS- continued

Disposition of Online Gaming - continued

The condensed cash flow for the Online Gaming was as follows for the year ended December 31, 2016:

	<u>Year ended December 31,</u> <u>2016</u>
Net cash provided by operating activities	\$ 11,171
Net cash provided by investing activities	<u>\$ 25</u>

The operating results from discontinued operations included in the Company's consolidated statement of operations were as follows for the year ended December 31, 2016.

	<u>Year ended December 31,</u> <u>2016</u>
	<u>Renren Games</u>
Major classes of line items constituting pretax profit (loss) of discontinued operations	
Net revenues	\$ 1,699
Cost of revenues	(871)
Selling, research and development, and general and administrative expenses	(485)
Impairment of intangible assets	-
Other income and expenses that are not major	150
Income from the operations of the discontinued operations, before income tax	493
Income tax expenses	(102)
Income from the operations of the discontinued operations, net of tax	<u>391</u>
Gain on deconsolidation of the subsidiaries, net of tax	<u>8,310</u>
Gain on disposal of equity method investment, net of tax	-
Gain from the discontinued operations, net of tax	<u>\$ 8,701</u>

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4. DISCONTINUED OPERATIONS- continued

Disposition of Online Gaming - continued

All notes to the accompanying consolidated financial statements have been retrospectively adjusted to reflect the effect of the discontinued operations, where applicable.

Disposition of Renren SNS

In November 2018, the Company announced the proposed sale of its SNS Business which comprise of www.renren.com and its social networking service business which includes the Company's SNS platform as well as its mobile live streaming to Beijing Infinities for a combined consideration of US\$20 million in cash and US\$40 million in the form of Beijing Infinities shares to be issued to the Company. One of the minority shareholder of Beijing Infinities is a company controlled by the Company's chairman and chief executive officer, see note 20. In November 2018, the Company's Board of Directors approved the proposed transaction. The disposal was completed on December 29, 2018 and as a result, the Company deconsolidated its SNS Business on that date. The Company's SNS Business has historically been the core of the Company's business and includes the Company's SNS platform which allows users to upload content to the platform, its SNS user base as well as the related employees and processes. The Company concluded that the disposal of the SNS Business represented a strategic shift of the Company's operations where the Company will no longer focus on social networking but will rather focus on its used car business in China as well as its businesses outside of China. Accordingly, assets, liabilities, revenues and expenses and cash flows related to the Company's SNS Business have been reclassified in the accompanying consolidated financial statements as discontinued operations for all the periods presented.

As of December 31, 2018, the \$20 million cash consideration remained outstanding and was recorded in amounts due from a related party. The Company collected \$3 million in January 2019 and is expected to collect the remaining balance before June 30, 2019. Additionally, the shares receivable in the form of Beijing Infinities were not received as of December 31, 2018 and were recorded as non-current amount due from related party in the consolidated balance sheet as of December 31, 2018.

On December 29, 2018, the Company calculated a gain regarding the disposal of the SNS Business as follows.

	<u>As of</u> <u>December 31, 2018</u>
Total proceeds	\$ 60,000
Less: Property and equipment, net	8
Net assets of Renren SNS	<u>8</u>
Less: Accumulated other comprehensive income	<u>336</u>
Less: Tax expenses	<u>-</u>
Gain on deconsolidation of Renren SNS	<u>\$ 59,656</u>

The carrying amounts of assets and liabilities recorded as discontinued operations in the consolidated balance sheet in connection with SNS as of December 31, 2017 were immaterial. The condensed cash flow from operating of Renren SNS Business were as follows for the years ended December 31, 2016, 2017 and 2018. The condensed cash flow from investing of Renren SNS Business were immaterial.

	<u>Years ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>Renren SNS</u>	<u>Renren SNS</u>	<u>Renren SNS</u>
Net cash used in operating activities	(22,589)	(8,144)	(1,437)

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4. DISCONTINUED OPERATIONS- continued

Disposition of Renren SNS - continued

The operating results from discontinued operations included in the Company's consolidated statement of operations were as follows for the years ended December 31, 2016, 2017 and 2018.

	Years ended December 31,		
	2016	2017	2018
	Renren SNS	Renren SNS	Renren SNS
Major classes of line items constituting pretax profit of discontinued operations			
Net revenues	\$ 10,956	\$ 22,372	\$ 19,679
Cost of revenues	(9,545)	(17,264)	(14,997)
Selling, research and development, and general and administrative expenses	(20,279)	(13,536)	(7,523)
Loss from the operations of the discontinued operations, before income tax	(18,868)	(8,428)	(2,841)
Income tax expenses	-	-	-
Loss from the operations of the discontinued operations, net of tax	(18,868)	(8,428)	(2,841)
Gain on deconsolidation of the subsidiaries, net of tax	-	-	59,656
(Loss) gain from the discontinued operations, net of tax	\$ (18,868)	\$ (8,428)	\$ 56,815

All notes to the accompanying consolidated financial statements have been retrospectively adjusted to reflect the effect of the discontinued operations, where applicable.

Disposition of OPI

On September 30, 2016, the Company announced a plan to spin off OPI that holds online talent show business ("Woxiu") and most of its investments in minority stakes in privately held companies. On December 22, 2016, the Company formed a special committee to review the terms of the proposed transaction. Subsequently, the Company revised the plan to substitute Beijing Zhenzhong Interactive Information Technology Co., Ltd ("Zhenzhong", a subsidiary of one of the Company's VIEs) for Woxiu. On April 30, 2018, the Company announced that OPI will offer newly issued ordinary shares of OPI in a private placement to those shareholders of Renren as of the Record Date who satisfy all three of the following criteria: (1) the shareholder is an "accredited investor," as such term is defined under the U.S. Securities Act of 1933, as amended, (2) the shareholder is a "qualified purchaser," as such term is defined under the U.S. Investment Company Act of 1940, as amended, and (3) the shareholder is not a resident of a jurisdiction where the offering would be illegal. Additionally, the Company also announced a cash dividend payable by Renren to all shareholders other than those shareholders who waive the cash dividend in connection with the private placement described above. The amount of the cash dividend was US\$0.6125 per ordinary share of Renren. The cash dividend and the private placement are part of an integrated series of transactions designed to address concerns that Renren may be deemed to be an investment company within the meaning of the Investment Company Act. The spin off transaction was consummated on June 21, 2018 with an issuance of a total of 816,261,781 ordinary shares of OPI on June 21, 2018 to those eligible shareholders of Renren as of June 14, 2018 who validly waived the cash dividend in connection with the private placement. In addition, on June 21, 2018, US\$133.7 million of cash dividends, with US\$0.6125 per ordinary share of Renren, was paid to the Company's shareholders who were not accredited investors and elected to no longer remain investors of OPI subsequent to the private placement transaction. After the transaction, the Company no longer held any shares of OPI and OPI was deconsolidated from the Company's consolidated financial statements. Additionally, the Company concluded that the disposal of OPI represents a non-pro rata distribution of shares of OPI to selected shareholders combined with a cash dividend to the remaining shareholders. Accordingly, the Company has accounted the disposal at fair value.

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4. DISCONTINUED OPERATIONS- continued

Disposition of OPI - continued

On June 30, 2018, the Company calculated a gain regarding such disposition as follows:

	<u>As of June 30, 2018</u>
Fair value of OPI	\$ 500,000
Less: Cash and cash equivalents	35,274
Accounts and notes receivable, net	64
Prepaid expenses and other current assets	16,344
Property and equipment, net	12
Amount due from the Company	15,190
Equity method investments	268,515
Equity investments without readily determinable fair values	144,096
Available-for-sale investment	90,615
Other non-current assets	14
Short term loan	(14,336)
Accounts payable	(96)
Accrued expenses and other current liabilities	(872)
Amount due to the Company	(102,304)
Deferred revenue	(13)
Income tax payable	(910)
Long-term liabilities	(112,604)
Other Long-term liabilities	(21,430)
Net assets of OPI	<u>317,559</u>
Less: tax expenses	<u>-</u>
Gain on deconsolidation of OPI	<u>\$ 182,441</u>

The following table summarizes the carrying amounts of the major classes of assets and liabilities recorded as discontinued operations in the consolidated balance sheet as of December 31, 2017. There was no discontinued operations on the balance sheet as of December 31, 2018 as the private placement was completed.

	<u>As of December 31, 2017</u>
Cash and cash equivalents	\$ 3,396
Accounts and notes receivable, net	162
Amounts due from related parties	15,036
Prepaid expenses and other current assets	1,957
Current assets classified as discontinued operations	<u>\$ 20,551</u>
Property and equipment, net	16
Long-term investment	530,624
Other non-current asset	23
Non-current assets classified as discontinued operations	<u>\$ 530,663</u>
Accounts payable	951
Accrued expenses and other current payables	14,021
Amount due to related parties	10,687
Deferred revenue	56
Income tax payable	925
Long-term debt - current	52,604
Current liabilities classified as discontinued operations	<u>\$ 79,244</u>
Other non-current liabilities	6,356
Non-current liabilities classified as discontinued operations	<u>\$ 6,356</u>

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4. DISCONTINUED OPERATIONS- continued

Disposition of OPI - continued

The condensed cash flow of OPI were as follows for the years ended December 31, 2016, 2017 and 2018:

	Years ended December 31,		
	2016	2017	2018
	OPI	OPI	OPI
Net cash provided by (used in) operating activities	52,060	7,532	(28,134)
Net cash (used in) provided by investing activities	(53,818)	(8,450)	12
Net cash provided by financing activities	-	-	60,000

The operating results from discontinued operations included in the Company's consolidated statement of operations were as follows for the years ended December 31, 2016, 2017 and 2018.

	Years ended December 31,		
	2016	2017	2018
	OPI	OPI	OPI
Major classes of line items constituting pretax profit of discontinued operations			
Net revenues	\$ 4,927	\$ 5,106	\$ 895
Cost of revenues	(1,645)	(3,820)	(834)
Selling, research and development, and general and administrative expenses	(3,451)	(3,046)	(1,394)
Other income (expense)	4,552	(1,424)	371
Interest expense	(5,245)	(5,822)	(3,142)
Realized loss on short-term investment	(43)	-	-
Impairment of long term investment	(100,823)	(113,073)	(2,180)
Loss from the operations of the discontinued operations, before income tax	(101,728)	(122,079)	(6,284)
Income tax expenses	-	-	-
(Loss) Gain of equity method investment	(10,343)	11,255	(9,674)
Loss from the operations of the discontinued operations, net of tax	(112,071)	(110,824)	(15,958)
Gain on deconsolidation of the subsidiaries, net of tax	-	-	182,441
(Loss) gain from the discontinued operations, net of tax	\$ (112,071)	\$ (110,824)	\$ 166,483

All notes to the accompanying consolidated financial statements have been retrospectively adjusted to reflect the effect of the discontinued operations, where applicable.

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5. BUSINESS ACQUISITION

Acquisition of used car dealers in 2017

In the second half of 2017, in order to start and expand its business of used car trading, the Company completed the acquisitions of 14 unrelated used car dealerships. The acquired dealerships operate used car sales business in various cities across China.

Each acquisition, while negotiated independently, was structured in a similar manner. Specifically, Shanghai Jieying, a PRC subsidiary of the Company's VIE, initially purchased all car inventories from each dealership. The total consideration was \$45,920, which was settled with a combination of cash paid by the Company amounting to \$14,884 and a forgiveness of the financing receivable balances amounting to \$21,201 related to financing previously provided to the dealership by the Company. The remaining balance was paid in cash in 2018. Subsequent to the car purchase, Shanghai Jieying and the shareholder of the existing car dealership (the "Seller") enter into an equity purchase agreement which requires the Seller to transfer majority interest of the dealership as follows:

- (1) The Seller agrees to set up a new entity to which it transfers the remaining eligible assets of the dealerships, employees, and business contracts owned and leased by the existing dealership. In turn, Shanghai Jieying agrees to subscribe for 70% of the equity interest in this entity.
- (2) As consideration for the above transaction, Shanghai Jieying agrees to inject cash to the acquired dealership as well as to pay the Seller contingent consideration in the form of shares of Kaixin, a Cayman subsidiary of the Company and the parent of Shanghai Jieying.

Shanghai Jieying believes that structuring the acquisitions as described above allows them to avoid potential exposures or liabilities associated with the acquired entities. The purchase of cars and acquisition of the new entity were accounted for as a single transaction.

The payment of the contingent consideration was initially contingent upon the successful offering of the Company as well as the performance of the acquired dealerships and after-sales service center operators. In January 2019, as part of the Kaixin Offering further described in Note 1, Kaixin Auto entered into amendment agreements with the dealerships that allowed Kaixin Auto to settle the contingent consideration related to the acquisitions of the dealerships and after-sales service centers, by using shares of KAH. Additionally, in connection with the Kaixin offering, the Company has also agreed to bear the obligation to make these payments and indemnify Kaixin for the related liabilities. The amount of consideration is measured based on the operating performance of the acquired dealerships both prior to and subsequent to the future offering transaction of Kaixin, and the number of shares expected to be issued will be calculated based on the issuance price of the offering. Such contingent consideration includes two components that will require the Company to issue the shares at different times. The first issuance will be made upon the successful offering of Kaixin and is calculated based on a percentage of the cumulative operating results of the acquired dealerships between the acquisition date and the date of the offering. The second issuance will be made in five equal annual installments after the successful offering of Kaixin and will be calculated based on a percentage of the trailing 12 months operating results of the acquired dealerships leading up to the successful offering, and will be subject to adjustments based on the future financial performance of each acquired dealership. The contingent issuance of shares is not dependent on whether the previous dealership owner remains employed with the Company.

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5. BUSINESS ACQUISITION –continued

Acquisition of used car dealers in 2017 (cont.)

The total purchase price of these 14 acquisitions consisted of a cash injection to the dealerships amounting to \$17,580, of which \$7,240 was paid as of December 31, 2017, and contingent consideration with a fair value of amounting to \$66,794 which is recorded in contingent consideration on the consolidated balance sheet. Each acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The purchase price allocation described below was based on a valuation analysis that utilized and considered generally accepted valuation methodologies such as the income, market and cost approach. The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Company determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

Subsequent to the date of each acquisition, the Company remeasured the estimated fair values of the contingent consideration at each reporting date. For the year ended December 31, 2017, the Company recorded \$2,601 in changes in fair value of contingent consideration in the Company's consolidated statements of operations as a result of the Company's re-measurement of the estimated fair value of the contingent consideration at the reporting date.

Acquisition of Shandong, Chongqing and Wuhan in 2017

On July 20, 2017, July 3, 2017, October 27, 2017, the Company entered into an equity purchase agreement (as described above) with Shandong, Chongqing and Wuhan for a total purchase price of \$18,585, \$10,112 and \$7,284 respectively. Prior to the agreement, the Company purchased all the car inventories from the above dealerships amounting to \$3,721, \$2,791 and \$8,786, respectively. The Company further paid an aggregate of \$2,951 for the car inventory during the year ended December 31, 2017 and forgave an aggregate of \$6,995 of financing receivable previously provided to those dealerships. The remaining balance was paid in cash in 2018. The allocation of the purchase prices for those three significant acquisitions as of the date of the acquisition are summarized as below:

	<u>Shandong</u>	<u>Chongqing</u>	<u>Wuhan</u>
Cash	\$ -	\$ 2,727	\$ -
Goodwill	26,550	11,719	10,405
Noncontrolling interest	7,965	4,334	3,121
The purchase price comprised of:			
— Cash consideration	-	818	-
— Contingent consideration	18,585	9,294	7,284
Total	<u>\$ 18,585</u>	<u>\$ 10,112</u>	<u>\$ 7,284</u>

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5. BUSINESS ACQUISITION – continued

Acquisition of used car dealers in 2017 (cont.)

Other acquisitions of used car dealerships in 2017

During the second half of 2017, the Company further entered into separate equity purchase agreements (as described above) with an additional 11 individually insignificant car dealerships. Prior to the agreement, the Company purchased all the car inventories from each dealership amounting to \$30,622. The Company paid an aggregate of \$11,933 during the year ended December 31, 2017 and forgave an aggregate of \$14,206 of financing receivable previously provided to those dealerships. The remaining balance was paid in 2018. The allocation of the purchase price for those insignificant acquisition is presented on a combined basis as follows:

	Other used car dealer acquisitions
Cash	\$ 1,270
Goodwill	38,317
Noncontrolling interest	11,876
The purchase price comprised of:	
— Cash consideration	381
— Contingent consideration	27,330
Total	<u>\$ 27,711</u>

The goodwill is mainly attributable to intangible assets that cannot be recognized separately as identifiable assets under US GAAP, and comprise of (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergies resulting from these acquisitions.

The following information summarizes the results of operations attributable to the acquisitions included in the Company's consolidated statement of operations since the acquisition date:

	<u>Year ended December 31, 2017</u>			
	<u>Shandong</u>	<u>Chongqing</u>	<u>Wuhan</u>	<u>Others</u>
Net revenues	\$ 33,263	\$ 17,290	\$ -	\$ 71,483
Net gain (loss)	\$ 1,383	\$ 180	\$ (10)	\$ (1,652)

Subsequent to the issuance of the Company's 2017 consolidated financial statements on May 14, 2018, the results of operations attributable to the acquisitions since the acquisition date have been corrected from the amounts previously reported to include revenue related to automobile sales related to those acquisitions.

Pro forma information of acquisitions

Supplementary pro-forma revenues and net earnings for the combined entity, as if business combination had been acquired as of January 1, 2016 were not included as it is impracticable since the used car dealerships and after-sales service centers historically did not have sound accounting systems to maintain reliable accounting records prior to the acquisitions and creating reliable accounting records would require an unreasonably significant amount of effort and resources. Post-acquisition, the newly established entities began to create and maintain accounting records.

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5. BUSINESS ACQUISITION – continued

Acquisition of TruckerPath Inc.

In December 19, 2014, the Company invested and paid \$11,500 to obtain 29% equity interests in TruckerPath Inc. to expand the business of value-added-service platform. The investment was initially recognized as an equity-method investment as the Company concluded that it had significant influence over the operations of TruckerPath Inc. In December 2017, the Company acquired an additional 71% equity interests in TruckerPath Inc. for a total consideration of \$7,616. The acquisition resulted in the Company obtaining control of TruckerPath Inc. with an ownership of 100% equity interests.

The purchase price consists of the following:

	US\$
Consideration	\$ 7,616
Fair value of the 29% equity interests:	
Carrying amount	5,587
Gain on re-measurement of fair value of noncontrolling equity investment	(2,903)
Total	<u>\$ 10,300</u>

The Company recognized an investment gain of \$2,903 in realized gain from investment as a result of remeasuring the 29% equity interests immediately to fair value before the business combination. The acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The acquisition-date fair value of the equity interests held by the Company immediately prior to the acquisition date was measured at fair value using a discounted cash flow method and taking into account certain factors including the management projection of discounted future cash flow and an appropriate discount rate. The purchase price allocation described below was determined by the Company with the assistance of an independent valuation appraiser. The acquired net assets were recorded at their estimated fair values on the acquisition date. The goodwill is mainly attributable to intangible assets that cannot be recognized separately as identifiable assets under US GAAP, and comprise of (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The acquired goodwill is not deductible for tax purposes.

The purchase price was allocated as of December 28, 2017, the date of acquisition as follows:

	US\$	Amortization period
Net working capital	\$ 139	
Other current assets	5,016	
Intangible assets		
Customer relationship	610	3
Technology platform	325	
Trade name	540	3
Goodwill	7,952	
Other current liabilities	(4,282)	
Total	<u>\$ 10,300</u>	

Pro forma information of acquisitions

The following unaudited pro forma information summarizes the results of operations for the years ended December 31, 2016 and December 31, 2017 of the Company as if the acquisition had occurred on January 1, 2016. There were no material nonrecurring pro-forma adjustments incurred. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisition been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	For the years ended	
	December 31, 2016	December 31, 2017
Pro forma net revenues	\$ 63,404	\$ 203,391
Pro forma net loss	\$ (193,704)	\$ (116,397)

Other acquisitions in 2017

In 2017, the Company acquired 100% equity interests in Sindeo Inc. ("Sindeo") and Geographic Farming LLC ("Geofarm"). The total consideration for these two acquisitions amounted to \$4,326, which was paid in cash during 2017. The acquisition was recorded using the acquisition method of accounting, accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Company recorded \$3,251 and \$1,460 of goodwill from the acquisition of Sindeo and Geofarm, respectively. Such acquisitions were not material to the Company's consolidated financial statements during the year ended December 31, 2017.

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5. BUSINESS ACQUISITION (cont.)

Acquisition of used car dealers and after-sales service centers in 2018

During the year ended December 31, 2018, the Company completed the acquisition of three after-sales centers, Jinan Zhoushuo Yidong Automobile Trading Co., Ltd. (“Jinan Zhoushuo”), Chongqing Zhoushuo Xingqi Automobile Service Co., Ltd. (“Chongqing Zhoushuo”) and Suzhou Zhoushuo Lujie Automobile Service Co., Ltd. (“Suzhou Zhoushuo”), and one additional dealership, Shanxi Jieying Weilan Automobile Sales Co., Ltd. (“Shanxi”). The structure of these acquisitions are consistent with the acquisition in 2017. The Company initially purchased all inventories, from each dealership and after-sales service center, The Company subsequently entered into equity purchase agreement to purchase the new entity set up by the owners of each dealership and after-sales service center.

Subsequent to the date of each acquisition, the Company measured the estimated fair values of the contingent consideration at each reporting date. For the year ended December 31, 2018, the Company recorded \$29,604 in fair value change of contingent consideration, which was recorded as other expenses in the Company’s consolidated statements of operations as a result of the re measurement of the estimated fair value of the contingent consideration at the reporting date.

Acquisition of Shanxi in 2018

On April 8, 2018, the Company entered into equity purchase an agreement with Shanxi. The Company initially purchased the car inventories from the dealership which were recorded at fair value. The Company subsequently entered into equity purchase agreement to purchase the new entity set up by the owner of Shanxi used car dealership. As consideration for the transaction, the Company agreed to (1) pay cash consideration which includes partial consideration for the cars purchased as well as capital injection to the entities acquired, (2) forgive financing receivable outstanding that was previously provided by the Company to the used car dealerships and (3) provide contingent consideration to be paid upon the successful offering of the Company. The allocation of the purchase price for this acquisition as of the date of the acquisition is summarized as below:

	Shanxi
Cash	\$ -
Capital injection receivable	1,360
Inventory	4,604
Goodwill	3,917
Noncontrolling interest	<u>1,175</u>
The purchase price comprised of:	
— Cash consideration	4,536
— Forgiveness of financing receivable	1,428
— Contingent consideration	2,742
Total	\$ <u>8,706</u>

The following information summarizes the results of operations attributable to the acquisition included in the Company’s consolidated statement of operations since the acquisition date:

	Year ended December 31, 2018
Net revenues	\$ 20,135
Net gain	\$ 752

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5. BUSINESS ACQUISITION - continued

Acquisitions of after-sales service centers

During the first half of 2018, the Company further entered into separate equity purchase agreements with three after-sales service centers individually. Each acquisition, negotiated independently, was structured in a similar manner whereby, Shanghai Zhoushuo Automobile Technology Co., Ltd. (“Shanghai Zhoushuo”), a subsidiary of the Company, initially purchased all inventories from each after-sales service center. Subsequent to the purchase, Shanghai Zhoushuo and the shareholder of each of the existing after-sales service center (the “Seller”) entered into an equity purchase agreement which requires the Seller to transfer majority interest of the dealership as follows:

- (1) The Seller agrees to set up a new entity to which it transfers the remaining eligible assets of the after-sales service center, employees, and business contracts owned and leased by the existing after-sales service center. In turn, Shanghai Zhoushuo agrees to subscribe for 70% of the equity interest in this entity.
- (2) Shanghai Zhoushuo agrees to inject cash to the newly formed entity described in the preceding paragraph as well as to pay the Seller contingent consideration in the form of shares of the Company, the parent of Shanghai Zhoushuo.

The Company believes that structuring the acquisitions as described above allows them to avoid potential exposures or liabilities associated with the acquired entities. The purchase of inventories and acquisition of the new entity were accounted for as a single transaction.

The payment of the contingent consideration was initially contingent upon the successful offering of the Company as well as the performance of the acquired dealerships and after-sales service center operators. In January 2019, as part of the Kaixin Offering further described in Note 1, Kaixin Auto entered into amendment agreements with the dealerships that allowed Kaixin Auto to settle the contingent consideration related to the acquisitions of the dealerships and after-sales service centers, by using shares of KAH. Additionally, in connection with the Kaixin offering, the Company has also agreed to bear the obligation to make the payments and indemnify Kaixin for the related liabilities. The amount of consideration is measured based on the operating performance of the acquired after-sales service centers both prior to and subsequent to the future offering transaction of the Company, and the number of shares expected to be issued will be calculated based on the offering price. Such contingent consideration will require the Company to issue the shares at different times. The issuance will be made in four installments, 12-month apart, upon the successful offering of the Company and is calculated based on a percentage of each 12-months cumulative operating results of the acquired after-sales service centers after the acquisition date under different multiples. The contingent issuance of shares is not dependent on whether the previous after-sales service centers owner remains employed with the Company.

Acquired assets and liabilities were recorded at their fair value at the date of acquisition. The purchase price allocation described below was based on a valuation analysis that utilized and considered generally accepted valuation methodologies such as the income, market and cost approach. The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Company determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

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5. BUSINESS ACQUISITION - continued

Acquisitions of after-sales service centers (cont.)

As consideration for the transactions, the Company agreed to (1) pay cash consideration which includes capital injection to the entity acquired and (2) contingent consideration to be paid upon the successful offering of the Company. The allocation of the purchase price for the acquisitions are presented as follows:

	After-sales service centers
Capital injection receivable	\$ 651
Inventory	35
Goodwill	16,244
Noncontrolling interest	4,873
The purchase price comprised of:	
— Cash consideration	686
— Contingent consideration	11,371
Total	\$ 12,057

The goodwill is mainly attributable to intangible assets that cannot be recognized separately as identifiable assets under US GAAP, and comprise of (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergies resulting from these acquisitions.

The following information summarizes the results of operations attributable to the acquisitions included in the Company's consolidated statement of operations since the acquisition dates:

	Year ended December 31, 2018
	Chongqing/ Suzhou/ Jinan Zhoushuo
Net revenues	\$ 341
Net loss	\$ (582)

Pro forma information of acquisitions in 2018

Supplementary pro-forma revenues and net earnings for the combined entity, as if business combination had been acquired as of January 1, 2016 were not included as it is impracticable since the used car dealerships and after-sales service centers historically did not have sound accounting systems to maintain reliable accounting records prior to the acquisitions and creating reliable accounting records would require an unreasonably significant amount of effort and resources. Post-acquisition, the newly established entities began to create and maintain accounting records.

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6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Accounts receivable	\$ 8,828	\$ 5,219
Allowance of doubtful accounts	(2,730)	(2,635)
Accounts receivable, net	<u>\$ 6,098</u>	<u>\$ 2,584</u>

Accounts receivable mainly represent amounts earned under advertising contracts and IVAS business at the respective balance sheet dates. These amounts become billable according to the contract term.

Movement of allowance for doubtful accounts is as follows:

	<u>As of December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Balance at beginning of year	\$ 2,942	\$ 2,640	\$ 2,730
Charge to (income) expenses	(112)	130	52
Exchange difference	(190)	(40)	(147)
Balance at end of year	<u>\$ 2,640</u>	<u>\$ 2,730</u>	<u>\$ 2,635</u>

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7. FINANCING RECEIVABLE

Financing receivable consists of the following:

	As of December 31,	
	2017	2018
Current financing receivable		
Used car financing	\$ 129,018	\$ 9,846
Financing for installment sales	2,177	1,654
Other financing	1,306	1,243
Net deferred origination costs	-	-
Less allowance for financing receivable	(7,023)	(9,257)
Current financing receivable, net	\$ 125,478	\$ 3,486
Long-term financing receivable		
Used car financing	\$ 8	\$ -
Financing for installment sales	-	-
Less allowance for long-term financing receivable	-	-
Long-term financing receivable, net	\$ 8	\$ -

Financing receivable mainly represents both the principal and financing income receivable associated with the respective financing services expected to be collected from the individuals or companies receiving financing under the internet finance business at the respective balance sheet dates.

Used car financing is secured with pledged assets, which are used cars with value not less than the financing receivable. Other financing includes financing receivable related to rental financing provided to individuals referred by rental agents as well as micro cash financing to college students which ceased during the year ended December 31, 2016. The Company has ceased granting new loans for the used car financing since January 2018, but continues to service the outstanding loans until maturity.

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7. FINANCING RECEIVABLE - continued

The following table presents nonaccrual financing receivable as of December 31, 2017 and 2018, respectively.

	As of December 31,	
	2017	2018
Used car financing	\$ 7,373	\$ 9,838
Financing for installment sales	2,051	1,654
Other financing	1,286	1,243
	<u>\$ 10,710</u>	<u>\$ 12,735</u>

The following table presents the past-due aging of financing receivable as of December 31, 2018.

	0 – 90 days past-due aging	over 90 days past-due aging	total past due	current	total financing receivable
Used car financing	\$ -	\$ 9,838	\$ 9,838	\$ 8	\$ 9,846
Financing for installment sales	-	1,654	1,654	-	1,654
Other financing	-	1,243	1,243	-	1,243
	<u>\$ -</u>	<u>\$ 12,735</u>	<u>\$ 12,735</u>	<u>\$ 8</u>	<u>\$ 12,743</u>

The following table presents the past-due aging of financing receivable as of December 31, 2017.

	0 – 90 days past-due aging	over 90 days past-due aging	total past due	current	total financing receivable
Used car financing	\$ 9,654	\$ 7,373	\$ 17,027	\$ 111,999	\$ 129,026
Financing for installment sales	229	1,948	2,177	-	2,177
Other financing	138	1,168	1,306	-	1,306
	<u>\$ 10,021</u>	<u>\$ 10,489</u>	<u>\$ 20,510</u>	<u>\$ 111,999</u>	<u>\$ 132,509</u>

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7. FINANCING RECEIVABLE - continued

Movement of allowance for financing receivable is as follows:

	As of December 31,		
	2016	2017	2018
Balance at beginning of year	\$ (3,583)	\$ (15,114)	\$ (7,023)
Charge to cost of revenues	(12,436)	(12,745)	(10,802)
Write off of financing receivable	119	22,178	7,786
Exchange difference	786	(1,342)	782
Balance at end of year	\$ (15,114)	\$ (7,023)	\$ (9,257)

For the years ended December 31, 2016, 2017 and 2018, the Company considered loan principal and financing income receivables meeting any of the following conditions as uncollectible and has further written them off: (i) death of the borrower; or (ii) unable to reach the borrower. The Company outsourced almost all of its collection effort to third-party collection agencies.

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Note	As of December 31,	
		2017	2018
Advances to third parties	(i)	\$ 14,325	\$ 30,787
Prepaid expenses		3,919	4,144
Deposits		4,294	340
Loan to third parties		2,720	4,029
Funds receivable	(ii)	3,880	1,477
Disposal of Mapbar Technology Limited ("Mapbar")		4,585	-
Disposal of online wealth management business		3,482	2,388
Other receivable	(iii)	4,209	362
Other current assets		6,812	5,988
Total		\$ 48,226	\$ 49,515

- (i) Advances to third parties mainly represents cash advanced to third party dealerships for car purchase. Specifically, some of the advances to third parties relates to consignment sales, in which the Company acts as an agent and assists other third party dealerships in the sale of their cars by allowing them to move their cars to the Company's own lot. The Company pays those third party dealerships an advance amounting to the value of the car. The Company agrees to market those cars and if successfully sold, receives a commission from those third party dealerships. The Company does not take title to the cars and merely acts as an agent. The advance is subsequently settled either (1) when the car is sold by the Company or (2) if the car is not sold, the cash is remitted back to the Company by the third party dealership. The balance was substantially collected after December 31, 2018 and the commission earned from the above arrangements is immaterial for the years ended December 31, 2017 and 2018.
- (ii) Funds receivable mainly represents balances paid by individuals for repayments of financing on Renren Fenqi as well as amounts paid by investors for investments made on Renren Licai that are held at a third party electronic payment service provider as of December 31, 2017 and 2018. The balances were collected subsequent to year-end.
- (iii) Other receivable represents cash advanced to customers of third party dealerships for purchase of cars for which loans were approved by a bank but for which the customers has not yet received the cash. The amount was subsequently collected by the Company after year-end.

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9. SHORT-TERM INVESTMENTS

Short-term investments comprise of marketable securities which are classified as trading and derivative financial instruments that are regarded as assets.

Trading securities

During the years ended December 31, 2016 and 2017, the Company purchased and sold several trading securities and recorded \$577 of gain and \$100 of loss in the consolidated statements of operations. As of December 31, 2017 and 2018, the Company did not hold any trading securities.

10. LONG-TERM INVESTMENTS

	Note	As of December 31,	
		2017	2018
Equity method investments:			
Plum Inc.	(i)	\$ 7,407	\$ 5,581
Fundrise, L.P.	(ii)	11,042	11,319
Others	(iii)	3,731	2,714
Total equity method investments		22,180	19,614
Equity investments without readily determinable fair values Suzhou Youge Interconnection Venture Capital Center		768	727
Total equity investments without readily determinable fair values		768	727
Equity investment with readily determinable fair values:			
Hylink Advertising Co., Ltd.	(iv)	9,794	-
Total equity investment with readily determinable fair values		9,794	-
Available-for-sale investment			
Plum Inc.	(i)	2,000	2,000
Total Available-for-sale investment		2,000	2,000
Total long-term investments		<u>\$ 34,742</u>	<u>\$ 22,341</u>

(i) In August 2015, the Company entered into agreements to purchase 2,304,205 Series A Preferred Shares issued by Plum Inc. for a total consideration of \$10,500. The Company held 26.64% and 19.64% equity interest of Plum Inc. as of December 31, 2017 and 2018, respectively and recognized its share of loss in Plum Inc. of \$1,352, \$1,452 and \$1,826 for the years ended December 31, 2016, 2017 and 2018, respectively. The Company accounted for this investment as equity method as of December 31, 2017 and 2018 as it believes it is able to exert significant influence through its board seat held by the Company.

In January 2017, the Company entered into agreements to purchase convertible promissory note issued by Plum Inc. for a total consideration of \$2,000. The Company accounted for it as available-for-sale investment as the Company determined this as debt security and measured at fair value. The unrealized gains or losses of US\$ nil and US\$ nil were reported in other comprehensive (loss) income for the years ended December 31, 2017 and 2018, respectively.

(ii) In October 2014, the Company entered into an agreement to purchase limited partnership interest of Fundrise, L.P. for a total consideration of \$10,000. The Company held 98.04% equity interest as of December 31, 2017 and 2018 and recognized its share of gain of \$249, \$148 and \$276 for the years ended December 31, 2016, 2017 and 2018, respectively.

(iii) Others represents other equity method investments with individual carrying amounts less than \$1,500 as of December 31, 2017 and 2018, respectively.

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10. LONG-TERM INVESTMENTS - continued

Equity method investments- continued

The summarized financial information for all of the Company's equity method investments were as follows:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
Total current assets	\$ 6,385	\$ 21,015
Total assets	\$ 26,055	\$ 33,181
Total current liabilities	\$ 1,867	\$ 2,584
Total liabilities	\$ 7,657	\$ 11,008

	<u>For the years ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net revenues	\$ 1,217	\$ 1,931	\$ 3,021
Gross (loss) profits	\$ (545)	\$ (99)	\$ 616
Loss from continuing operations	\$ (9,356)	\$ (4,391)	\$ (9,137)
Net loss	<u>\$ (9,356)</u>	<u>\$ (4,391)</u>	<u>\$ (9,137)</u>

Equity Investment with Readily Determinable Fair Values

- (iv) In April 2011, the Company acquired 2% equity interest of Hylink Advertising Co., Ltd. at total cash consideration of \$2,381. Hylink is mainly engaged in advertising agency service. The Company was not able to exercise significant influence over the operating and financial decisions of Hylink, and thus the Company used the cost method to account for its investment.

In August 2017, Hylink successfully listed on the Shanghai Stock Exchange in China. The Company reassessed and classified the investment as available for sales. Unrealized holding gains of \$7,489 were reported in other comprehensive income for the year ended December 31, 2017. On January 1, 2018, the Company adopted ASU 2016-01 and reclassified the investment to equity investment with readily determinable fair value. Subsequently, the Company disposed Hylink and recognized a loss of \$2,141.

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11. PROPERTY AND EQUIPMENT, NET

	As of December 31,	
	2017	2018
Building	\$ 32,002	\$ -
Computer equipment and application software	17,733	8,309
Furniture and vehicles	295	540
Leasehold improvements	765	1,053
	\$ 50,795	\$ 9,902
Less: Accumulated depreciation	\$ (21,196)	\$ (8,347)
Less: Accumulated impairment loss	(90)	-
	<u>\$ 29,509</u>	<u>\$ 1,555</u>

Depreciation expense from continuing operations was \$2,593, \$1,968 and \$968 for the years ended December 31, 2016, 2017 and 2018.

Depreciation expense from discontinued operation was \$85, \$6 and \$nil, for the years ended December 31, 2016, 2017 and 2018, respectively.

In May 2018, the Company sold its building located in Shanghai, China to a third party for a total consideration of \$60,388 and recorded \$25,928 gain on disposal of property and equipment for the year ended December 31, 2018.

No impairment loss was recorded for the years ended December 31, 2016, 2017 and 2018, respectively.

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12. Goodwill

	<u>Amount</u>
Balance at January 1, 2017	-
Addition in goodwill related to acquisitions	\$ 99,654
Exchange difference	2,283
Balance at December 31, 2017	<u>101,937</u>
Addition in goodwill related to acquisitions	22,445
Subtraction in goodwill related to disposals	(4,741)
Impairment loss	(29,055)
Exchange difference	(6,152)
Balance at December 31, 2018	<u>\$ 84,434</u>

The Company's goodwill reflects the excess of the consideration paid or transferred including the fair value of contingent consideration over the fair values of the identifiable net assets acquired. The majority of the goodwill balance relates to the various used car dealerships and after-sales service centers acquired during the two years ended December 31, 2018 as well as to other acquisitions which were individually deemed insignificant. Refer to Note 5 for further details.

To assess potential impairment of goodwill, the Company performs an assessment of the carrying value of the reporting unit at least on an annual basis or when events occur or circumstances change that would more likely than not reduce the estimated fair value of the reporting unit below its carrying value. If the carrying value of a reporting unit exceeds its fair value, the Company would perform the second step in its assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. The Company estimates the fair value of its reporting units through internal analysis and external valuations, which utilize the income approach through the application of discounted cash flow methods. The Company estimates the fair value of its reporting units through internal analysis and external valuations, which utilize the income and market approaches through the application of discounted cash flow methods. These valuations are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparable.

During the years ended December 31, 2016 and 2017, the Company did not record any impairment charges related to goodwill. During the year ended December 31, 2018, following the investigation of the Ji'nan Dealership, Kaixin transferred its equity interest in the Ji'nan Dealership and the related assets to an affiliate of the Company. Following the transfer, the Company closed the dealership. As a result of the above, the Company performed an impairment analysis and fully impaired the goodwill related to the Ji'nan Dealership amounting to \$25,804. The Company acquired Sindeo in 2017. During the year ended December 31, 2018, the Company performed its goodwill impairment testing and determined there was an impairment. As a result, the entire balance of goodwill associated with Sindeo and amounting to US\$3,251 was written off.

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13. SHORT - TERM DEBT AND LONG-TERM DEBT

Short-term debt

	Note	As of December 31,	
		2017	2018
Bank of Shanghai	(i)	\$ 12,296	\$ 21,817
Hengfeng Bank	(ii)	49,183	-
Bank of Beijing	(iii)	-	20,798
Others	(v)	-	7,272
Total		<u>\$ 61,479</u>	<u>\$ 49,887</u>

- (i) In May and August 2017, the Company entered into five short-term loan agreements with Bank of Shanghai for \$12,296. The loans bear an annual interest rates ranging from 137.9% to 149.4% of the one year loan interest rate quoted by the People's Bank of China and have loan periods ranging from eight to eleven months. The Company repaid the loans in April 2018.

In February 2018, the company entered into a loan agreement with Shanghai Bank for \$10,181. The loan bears an annual interest rate of 130% over the one-year loan interest rate quoted by the People's Bank of China and has a loan period of one year. The Company repaid the loan in February 2019.

In April and May 2018, the Company entered into two loan agreements with Shanghai Bank for \$11,636 in aggregate. Both loans bear an annual interest rate of 140% over the one-year loan interest rate quoted by the People's Bank of China and have a loan period of one year. \$7,272 of the loan was due in April 2019 and were repaid by the Company.

- (ii) The loan obtained from Hengfeng Bank in 2017 had been repaid by the Company in May 2018.

- (iii) In March, May and June 2018, the Company entered into four loan agreements with Bank of Beijing for \$20,798 in aggregate. The loans bear annual interest rates of the Loan Prime Rate plus additional interest rate ranging from 0.05% to 1.355% with loan period of one year. \$14,544 of the loan was due in March 2019 and had been repaid by the Company.

- (v) In January 2018, the Company entered into two loan agreements with a third party individual for a total amounting to \$6,109. The loans had an annual interest rate of 10% and were due in July 2018. In July 2018, the Company further renewed the loans for another 6 months with the same interest rate, and subsequently repaid loans in January 2019.

In February 2018, the Company entered into a loan agreement with a third party for \$787 with an annual interest rate of 9%, which was due in March 2018. The Company repaid the loan in March 2018.

In April, May, June, July, August and September 2018, the Company entered into eighteen loan agreements with an individual for \$17,787 in aggregate. The loans all bear an annual interest rate of 10.8% and have a period of one month. \$17,496 was repaid in May and June 2018, and the remaining balance of \$291 was repaid in October 2018.

In August 2018, the Company entered into two loan agreements with an individual for \$872 in aggregate. The loans both bear an annual interest rate of 10.8% and have a period of two months and four months, respectively. Upon maturity, the Company further renewed the loans for another 12 months with the same interest rate.

In October 2018, the Company entered into a loan agreement with the individual for \$291. The loan bears an annual interest rate of 10.8% and have a period of six months. The Company repaid the loan in April 2019.

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13. SHORT - TERM DEBT AND LONG-TERM DEBT – continued

Long-term debt

	Note	As of December 31,	
		2017	2018
Hengfeng Bank	(ii)	27,665	-
East West Bank	(iv)	20,000	35,000
Total		\$ 47,665	\$ 35,000

- (iv) In December 2016, the Company entered into a short-term loan agreement with East West Bank for \$30,000. The loan bears an annual interest rate equal to the one month LIBOR rate plus 1.2% and has a loan period of six month. In June 2017, the Company amended and extended the maturity date to April 2018. In October 2017, the Company repaid \$10,000 of the loan balance. In January 2018, the Company further renewed its short term loan agreement with East West Bank and replaced it with a long-term debt. The long-term debt has an annual interest rate equal to LIBOR rate plus 1.2% and is repayable on April 3, 2020. Accordingly, the \$20,000 of the loan was reclassified as long-term debt as of December 31, 2017.

During the year ended December 31, 2018, the Company repaid \$12,000 and additionally borrowed \$27,000 from East West Bank. The maturity date of the remaining balance will be April 3, 2020 and the remaining loan balance bears an annual interest rate equal to LIBOR rate plus 1.2%

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2017	2018
Employee payroll and welfare payables	\$ 3,182	\$ 1,738
Other tax payable	12,650	14,119
Accrued professional, marketing and leasing fees	6,017	6,035
Advance from customers	6,220	4,078
Other payables	3,808	7,085
Total	\$ 31,877	\$ 33,055

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15. PAYABLE TO INVESTORS

In the ordinary course of business, through the peer-to-peer platforms and the Company's Plans, the Company identifies investors and transfers creditors' rights to those investors. The Company further offers different investment periods to investors with various annual interest rates while those credit rights are held by the investors. The terms of the sales require the Company to repurchase those creditors' rights from investors prior to or upon the maturity of the investment period. As a result, the sales of those creditors' rights are not accounted for as a sale and remain on the consolidated balance sheet and are recorded as payable to investors in the Company's consolidated balance sheet. The financing business was terminated in May 2018 along with the expiration of the Company's Plan on May 17, 2018

Payable to investors includes payable with terms shorter than one year as well as the current portion of the payable to investors.

		Fixed annual		As of December 31,	
		Rate (%)	Term	2017	2018
Short-term payable to investors	(i)	8.6% - 11.0%	15 Days - 12 Months	\$ 142,689	\$ 15

(i) The short-term payable to investors as of December 31, 2017 relates to the "Plans" and the balance in 2017 had been repaid by the Company in 2018.

16. INCOME TAXES

The Company, CIAC, Renren Gongying Inc. Link224 Inc., Wole Inc., JiehunChina Inc., Kaixin Auto Group, Renren CRSP Holdings Inc., Renren PLML Holdings Inc., Renren KURY Holdings Inc., Renren ONER Holdings Inc., Renren LSTAR Holdings Inc., Renren BLCR Holdings Inc., Renren ZHCH Holdings Inc. and Renren Finance Inc. are all incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the companies are not subject to income or capital gains taxes.

Chime Technologies, Inc., Renren U.S. Holdco, Inc., Sideo Inc., Lucrativ, Inc., Geographic Farming LLC and Trucker Path Inc. are incorporated in the US and subject to state income tax and federal income tax at different tax rates, depending upon taxable income levels. They did not have taxable income and no income tax expense was provided for the years ended December 31, 2016, 2017 and 2018.

Jet Sound Hong Kong Company Limited, Renren Winday Company Limited, Fenqi Winday Company Limited., Renren Game Hong Kong Limited, Renren Giantly Limited. and Renren Gentle Height Company Limited. were incorporated in Hong Kong and is subjected to Hong Kong profits tax. With effect from 1 April 2018, a two-tiered profits tax rates regime applies. The profits tax rate for the first HKD 2 million of corporate profits is 8.25%, while the standard profits tax rate of 16.5% remains for profits exceeding HKD 2 million. No provision for Hong Kong profits tax has been made as they have no assessable profits in Hong Kong in the fiscal years ended December 31, 2016, 2017 and 2018.

Renren Giantly Philippines Inc was established in 2018 and incorporated in the Philippines, which is subject to 30% enterprise income tax rate for the year ended December, 2018. It did not have taxable income and no income tax expense was provided for the year ended December 31, 2018.

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16. INCOME TAXES - continued

Other subsidiaries and VIEs of the Company domiciled in the PRC were subject to 25% statutory income tax rate in the years presented.

The EIT Law 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 the 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 EIT Law provide 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, properties, etc. reside within PRC.

Beijing Qilin Wings Technology Development Co., Ltd., incorporated in the PRC on January 16, 2013, qualified as a "High and New Tech Enterprise" in 2017, and therefore was entitled to a preferential tax rate of 15% for the following three years.

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 the PRC should be characterized as PRC residents for EIT Law purposes.

Under the EIT Law and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have a tax treaty with PRC.

The Company's subsidiaries and VIEs located in the PRC had aggregate accumulated deficits as of December 31, 2018. Accordingly, no deferred tax liability had been accrued for the Chinese dividend withholding taxes as of December 31, 2018.

The current and deferred component of income tax expenses which were substantially attributable to the Company's PRC subsidiaries and VIEs and VIEs' subsidiaries, are as follows:

	Years ended December 31,		
	2016	2017	2018
Current income tax expenses	\$ 2,470	\$ 4,479	\$ 9,850
Deferred income tax expenses	-	-	-
Total income tax expenses	<u>\$ 2,470</u>	<u>\$ 4,479</u>	<u>\$ 9,850</u>

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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,	
	2017	2018
Deferred tax assets		
Provision for doubtful accounts	\$ 3,422	\$ 7,847
Accrued payroll and welfare	809	390
Accrued liabilities	2,414	3,764
Long term investment impairment	2,328	-
Excessive advertising fee	1,990	1,416
Excessive employee education fee	161	80
Goodwill and intangible asset impairment	-	7,276
Net operating loss carry forwards	55,745	45,543
Less valuation allowance	(66,869)	(66,316)
Deferred tax assets, net	\$ -	\$ -
Deferred tax liabilities	\$ -	\$ -

The Company operates through multiple subsidiaries and VIEs and VIEs' subsidiaries. The valuation allowance is considered on each individual entity basis. The subsidiaries and VIEs and VIEs' subsidiaries registered in the PRC have total deferred tax assets related to net operating loss carry forwards of \$55,745 and \$45,543 as of December 31, 2017 and 2018, respectively. The Company assessed the available evidence to estimate if sufficient future taxable income would be generated to use the existing deferred tax assets. As of December 31, 2017 and 2018, valuation allowances were established because the Company believes that it is more likely than not that its deferred tax assets will not be realized as it does not expect to generate sufficient taxable income in the near future.

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16. INCOME TAXES - continued

Reconciliation between the income tax expenses computed by applying the PRC tax rate to loss before the provision of income taxes and the actual provision for income taxes is as follows:

	Years ended December 31,		
	2016	2017	2018
Loss before provision of income tax	\$ (52,804)	\$ (42,757)	\$ (146,504)
PRC statutory income tax rate	25%	25%	25%
Income tax at statutory tax rate	(13,201)	(10,689)	(36,626)
Taxable deemed interest income from inter-company interest-free loans	6,925	7,288	6,406
Non-deductible loss and other expenses not deductible for tax purposes	12,422	4,469	30,016
Effect of income tax rate differences in jurisdictions other than the PRC	(54)	709	10,660
Effect of tax holidays	-	570	(53)
Changes in valuation allowance	(3,622)	2,132	(553)
Income tax expenses	<u>\$ 2,470</u>	<u>\$ 4,479</u>	<u>\$ 9,850</u>

The Company did not identify significant unrecognized tax benefits for the years ended December 31, 2016, 2017 and 2018, respectively. The Company did not incur any interest and penalties related to potential underpaid income tax expenses.

Since January 1, 2008, the relevant tax authorities have not conducted a tax examination on PRC entities. In accordance with relevant PRC tax administration laws, tax years from 2014 to 2018 of the Company's PRC subsidiaries and VIEs and VIEs' subsidiaries remain subject to tax audits as of December 31, 2018, at the tax authority's discretion.

17. ORDINARY SHARES

Under a series of share repurchase programs approved by the Company's board of directors on September 29, 2011, December 26, 2012, June 28, 2013 and June 28, 2014, during the years ended December 31, 2016, 2017 and 2018, the Company did not repurchase any ordinary shares.

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18. FAIR VALUE MEASUREMENTS

Assets and liabilities disclosed at fair value

The Company measures its amounts due from/to related parties, financing receivable, equity investments without readily determinable fair values and short-term and long-term debt, payable to investors and amount due from OPI at amortized cost. The carrying values of cash and cash equivalents and restricted cash approximated fair value and represented a level 1 measurement. The carrying value of financing receivable and payable to investors approximate their fair value due to their short-term nature and are considered level 3 measurement. Such fair value was estimated by discontinuing scheduled cash flows through the estimated maturity with estimated discount rate based on current offering rates of comparable financings with similar terms. The carrying value of the debt obligations approximate fair value considering the borrowing rates are at the same level of the current market yield for the comparable debts and represent a level 2 measurement. The carrying value of amount due from OPI approximates its fair value since the interest rates is considered to reflect market interest rate. The carrying value of current amounts due from /to other related parties' approximate fair value due to their relatively short maturity.

Assets and liabilities measured at fair value on a recurring basis

The Company measures its financial assets and liabilities, including cash and cash equivalents, restricted cash, equity investments with readily determinable fair values, available for sales securities and contingent consideration at fair value on a recurring basis as of December 31, 2017 and 2018. Cash and cash equivalents and restricted cash are classified within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market. Equity investments with readily determinable fair values are classified within Level 1 of the fair value hierarchy as they are publicly listed equity securities. Contingent consideration is classified within Level 3 of the fair value hierarchy because the fair value is determined by using discounted cash flow methodology which includes a significant number of unobservable inputs which are further described below.

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 2017, respectively:

	As of December 31, 2018				As of December 31, 2017			
	Fair Value Measurement at the Reporting Date using				Fair Value Measurement at the Reporting Date using			
	Quoted price in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable in puts Level 3	Total	Quoted price in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable in puts Level 3	Total
Cash and cash equivalents	\$ 15,333	\$ -	\$ -	\$ 15,333	\$ 125,199	\$ -	\$ -	\$ 125,199
Restricted cash	5,818	-	-	5,818	47,253	-	-	47,253
Non-current Restricted cash	36,362	-	-	36,362	26,075	-	-	26,075
Long-term investments								
Convertible debt	-	-	2,000	2,000	-	-	2,000	2,000
Equity investment with readily determinable fair values	-	-	-	-	-	9,794	-	9,794
Contingent consideration	-	-	(105,670)	(105,670)	-	-	(66,794)	(66,794)
Total	\$ 57,513	\$ -	\$ (103,670)	\$ (46,157)	\$ 198,527	\$ 9,794	\$ (64,794)	\$ 143,527

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18. FAIR VALUE MEASUREMENTS - continued

Assets and liabilities measured at fair value – continued

The key assumptions used in the valuation of the contingent consideration as of December 31, 2017 are summarized in the table below:

For contingent consideration resulting from the acquisitions of the used car dealerships:

Planned Offering date	September 30, 2018
Discount rate (from acquisition date to Offering date)	15%
Discount rate (from Offering date to the last settlement date)	2.75%
Offering probability as of December 31, 2017	45%

The following is a reconciliation of the beginning and ending balances for contingent consideration measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2017:

	<u>Amounts</u>
Balance at beginning of the period	\$ 62,493
Fair value change	2,601
Exchange difference	1,700
Balance at December 31, 2017	<u>\$ 66,794</u>

The key assumptions used in the valuations of the contingent consideration as of December 31, 2018 are summarized in the table below:

(1) For contingent consideration resulting from the acquisition of the used car dealerships:

Planned Offering date	April 30, 2019
Discount rate (from acquisition date to Offering date)	15%
Discount rate (from Offering date to the last settlement date)	2.75%
Offering probability as of December 31, 2018	80%

(2) For contingent consideration resulting from acquisition of the after sales service centers:

Planned Offering date	April 30, 2019
Discount rate (from acquisition date to the last settlement date)	15%
Offering probability as of December 31, 2018	80%

The following is a reconciliation of the beginning and ending balances for contingent consideration measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended December 31, 2018:

	<u>Amounts</u>
Balance at beginning of the period	\$ 66,794
Contingent consideration resulting from new acquisitions	14,113
Fair value change	29,604
Exchange difference	(4,841)
Balance at December 31, 2018	<u>\$ 105,670</u>

The Company did not transfer any assets or liabilities in or out of level 3 during the years ended December 31, 2017 and 2018.

Assets measured at fair value on a nonrecurring basis

The Company measured its property, equipment and goodwill at fair value on a nonrecurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. The Company measures the purchase price allocation at fair value on a nonrecurring basis as of the acquisition dates. The Company performed a goodwill impairment analysis as of December 31, 2018. Refer to the Note 12.

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19. SHARE-BASED COMPENSATION

Renren Stock options

Renren Inc. (“Renren”) adopted the 2006 Equity Incentive Plan (the “2006 Plan”), the 2008 Equity Incentive Plan (the “2008 Plan”), the 2009 Equity Incentive Plan (the “2009 Plan”), the 2011 Share Incentive Plan (the “2011 Plan”), the 2016 Share Incentive Plan (the “2016 Plan”), and the 2018 Share Incentive Plan (the “2018 Plan”) for purpose of granting of stock options and incentive stock options to employees and executives to reward them for service to the parent and to provide incentives for future service. In 2006, Renren Inc. adopted the 2006 Plan to replace the equity incentive plans adopted during the years ended December 31, 2003, 2004 and 2005. On February 26, 2016, Renren Inc. amended the 2011 Plan and 45,000,000 ordinary shares have been added to the award pool under the 2011 Plan. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2006 Plan, 2008 Plan, 2009 Plan, 2011 Plan, 2016 Plan and 2018 Plan is 97,430,220, 30,529,630, 40,000,000, 110,014,158, 53,596,236 and 107,100,000, respectively. The term of the options may not exceed ten years from the date of the grant, except for the situation of amendment, modification and termination. The awards under the above plans are subject to vesting schedules ranging from immediately upon grant to six years subsequent to grant date.

On August 24, 2017, the Company’s compensation committee approved to reduce the exercise price for all outstanding options previously granted by the Company with an exercise price higher than \$0.478 per ordinary share to \$0.478 per share. Such reduction was accounted by the Company as a share option modification and required the remeasurement of these share options at the time of the modification. The total incremental cost as a result of the modification was \$10,382. The incremental cost related to vested options amounted to \$7,427 and was recorded in the consolidated statements of operations during the year ended December 31, 2017. The incremental cost related to unvested options amounted to \$2,955 and will be recorded over the remaining service periods.

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19. SHARE-BASED COMPENSATION - continued

Stock options - continued

On June 29, 2018, Renren Inc.'s compensation committee approved to reduce the exercise price for all outstanding options previously granted by Renren with an exercise price higher than \$0.0613 per ordinary share to \$0.0613 per share. Such reduction was accounted by Renren as a share option modification and required the remeasurement of these share options at the time of the modification. The total incremental cost as a result of the modification was \$10,779. The incremental cost related to vested options amounted to \$9,304 and was recorded in the consolidated statements of operations during year ended December 31, 2018. The incremental cost related to unvested options amounted to \$1,475 and will be recorded over the remaining service periods.

Excluding the options containing market and service vesting conditions, the Company calculated the estimated fair value of the options on the respective grant dates using the binomial option pricing model with the assistance from independent valuation firms, with the following assumptions used in 2016. The Company did not grant any options in 2017 and 2018. The weighted-average grant-date fair value of the share options granted during 2016 was \$0.54.

	<u>Year ended December 31,</u> <u>2016</u>
	<u>Using binomial</u> <u>model</u>
Risk-free interest rate	2.0%
Volatility	50%
Expected term (in years)	10
Exercise price	\$ 1.227
Dividend yield	-

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19. SHARE-BASED COMPENSATION - continued

Stock options - continued

(1) *Volatility*

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options.

(2) *Risk-free interest rate*

Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected life of the options.

(3) *Expected term*

For the options granted to employees, the Company estimated the expected term based on the vesting and contractual terms and employee demographics. For the options granted to non-employees, the Company estimated the expected term as the original contractual term.

(4) *Dividend yield*

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(5) *Exercise price*

The exercise price of the options was determined by the Company's board of directors.

(6) *Fair value of underlying ordinary shares*

The closing market price of the Company's ordinary shares on the grant date was used.

The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying awards and the closing stock price of \$0.53, \$0.69, and \$0.10 of the Company's ordinary share on December 31, 2016, 2017 and 2018, respectively. The total intrinsic value of options exercised for the years ended December 31, 2016, 2017 and 2018 were \$1,118, \$293, and \$21, respectively. The total fair value of options vested during the years ended December 31, 2016, 2017 and 2018 were \$12,721, \$16,036, and \$7,532, respectively.

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19. SHARE-BASED COMPENSATION - continued

Stock options - continued

The following table summarizes information with respect to share options outstanding as of December 31, 2018:

Range of exercise prices	Options outstanding			Options exercisable				
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Weighted average intrinsic value	Number of exercisable	Weighted average remaining contractual life	Weighted average exercise price	Weighted average intrinsic value
\$0.01 ~ \$0.18	139,094,101	5.40	\$ 0.06	\$ 5,754	117,561,450	5.11	\$ 0.06	\$ 4,863
	<u>139,094,101</u>			<u>\$ 5,754</u>	<u>117,561,450</u>			<u>\$ 4,863</u>
					Number of shares	Weighted average exercise price	Weighted average grant date fair value	
Balance, December 31, 2017					141,481,616	\$ 0.48	\$ 0.64	
Exercised					(2,268,420)	\$ 0.06	\$ 0.66	
Forfeited					(119,095)	\$ 0.16	\$ 0.15	
Balance, December 31, 2018					139,094,101	\$ 0.06	\$ 0.64	
Exercisable, December 31, 2018					117,561,450	\$ 0.06		
Expected to vest, December 31, 2018					21,532,651	\$ 0.06		

For employee stock options, the Company recorded share-based compensation from continuing operations of \$19,420, \$23,904, and \$18,640 for the years ended December 31, 2016, 2017 and 2018, respectively, based on the fair value on the grant dates over the requisite service period of award using the straight-line method. The Company did not have any compensation expenses from discontinued operations.

For non-employee options, share based compensation was immaterial for the years ended December 31, 2016, December 31, 2017 and December 31, 2018.

As of December 31, 2018, there was \$14,285 unrecognized share-based compensation expense relating to share options. This amount is expected to be recognized over a weighted-average vesting period of 1.70 years.

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19. SHARE-BASED COMPENSATION - continued

Renren Nonvested restricted shares

A summary of the nonvested restricted shares activity is as follows:

	Weighted number of nonvested restricted shares	Weighted average fair value per ordinary share at the grant dates
Outstanding as of December 31, 2017	<u>10,802,683</u>	<u>\$ 0.95</u>
Granted	88,935,342	\$ 0.14
Vested	(8,404,575)	\$ 0.47
Forfeited	<u>(17,561,071)</u>	<u>\$ 0.18</u>
Outstanding as of December 31, 2018	<u>73,772,379</u>	<u>\$ 0.21</u>

The Company recorded compensation expenses based on the fair value of nonvested restricted shares on the grant dates over the requisite service period of award using the straight line vesting attribution method. The fair value of the nonvested restricted shares on the grant date was the closing market price of the ordinary shares as of the date. The Company recorded compensation expenses related to nonvested restricted shares from continuing operations of \$4,124, \$4,112 and \$3,917. The Company did not have any compensation expenses related to nonvested shares in discontinued operations.

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19. SHARE-BASED COMPENSATION - continued

Nonvested restricted shares - continued

Total unrecognized compensation expense amounting to \$15,345 related to nonvested restricted shares granted as of December 31, 2018. The expense is expected to be recognized over a weighted-average period of 3.38 years.

Kaixin Auto Group Incentive Plan

On January 31, 2018, Kaixin Auto adopted a stock incentive plan, whereby 40,000,000 ordinary shares of Kaixin Auto Group (“Kaixin”) are made available for future grant for employees or consultants of Kaixin either in the form of incentive share options or restricted shares. The plan was amended and restated in May 2018 that up to 140,000,000 ordinary shares will be made available for granting as awards.

On March 15, 2018 and July 1, 2018, Kaixin issued an aggregate of 36,461,500 options to purchase Kaixin’s ordinary shares to certain of its directors, officers and employees to compensate their services. The term of the options may not exceed ten years from the date of the grant, except for the situation of amendment, modification and termination. The awards under the above plans are subject to vesting schedules ranging from immediately upon grant to four years subsequent to grant date. The weighted-average grant-date fair value of the share options granted during the period presented was \$0.52. In determining the fair value of share options granted, a binomial option pricing model was applied.

	<u>Year ended</u> <u>December 31,</u> <u>2018</u>
Risk-free interest rate ⁽¹⁾	2.82%
Volatility ⁽²⁾	28%-55%
Expected term (in years) ⁽³⁾	10
Exercise price ⁽⁴⁾	\$ 0.3
Dividend yield ⁽⁵⁾	—
Fair value of underlying ordinary share ⁽⁶⁾	\$ 0.75

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19. SHARE-BASED COMPENSATION - continued

Kaixin Auto Group Incentive Plan - continued

(1) *Risk-free interest rate*

Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected life of the options.

(2) *Volatility*

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options.

(3) *Expected term*

For the options granted to employees, the Company estimated the expected term based on the vesting and contractual terms and employee demographics. For the options granted to non-employees, the Company estimated the expected term as the original contractual term.

(4) *Exercise price*

The exercise price of the options was determined by the Company's board of directors.

(5) *Dividend yield*

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(6) *Fair value of underlying ordinary shares*

The estimated fair value of the ordinary shares underlying the options as of the valuation date was determined based on a contemporaneous valuation. When estimating the fair value of the ordinary shares on the valuation dates, management has considered a number of factors, including the result of a third party appraisal of the Company, while taking into account standard valuation methods and the achievement of certain events. The fair value of the ordinary shares in connection with the option grants on the valuation date was determined with the assistance of an independent third party appraiser.

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19. SHARE-BASED COMPENSATION - continued

Kaixin Auto Group Incentive Plan - continued

The following table summarizes information with respect to share options outstanding as of December 31, 2018:

The exercise prices	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable	Weighted average remaining contractual life	Weighted average exercise price
\$ 0.3	35,281,500	9.19	\$ 0.30	13,333,151	9.19	\$ 0.30
	<u>35,281,500</u>			<u>13,333,151</u>		
				Number of shares	Weighted average exercise price	Weighted average grant date fair value
Balance, December 31, 2017				—	\$ —	\$ —
Granted				36,461,500	\$ 0.30	\$ 0.52
Exercised				—	\$ —	\$ —
Forfeited				(1,180,000)	\$ 0.30	\$ 0.52
Balance, December 31, 2018				<u>35,281,500</u>	<u>\$ 0.30</u>	<u>\$ 0.52</u>
Exercisable, December 31, 2018				<u>13,333,151</u>	<u>\$ 0.30</u>	<u>\$ 0.52</u>
Expected to vest, December 31, 2018				<u>21,948,349</u>	<u>\$ 0.30</u>	<u>\$ 0.52</u>

For employee stock options, the Company recorded share-based compensation amounting to \$9,046 for the year ended December 31, 2018, based on the fair value on the grant date over the requisite service period of award using the straight-line method.

As of December 31, 2018, there was \$9,259 unrecognized share-based compensation expense relating to share options. This amount is expected to be recognized over a weighted-average vesting period of 3.22 years.

The amount of share-based compensation expense for options and nonvested restricted shares attributable to selling and marketing, research and development, general and administrative expenses and loss from the operations of the discontinued operations are as follows:

	Years ended December 31,		
	2016	2017	2018
Gross amount:			
Selling and marketing	\$ 770	\$ 598	\$ 1,927
Research and development	1,363	1,092	1,142
General and administrative	<u>21,411</u>	<u>26,326</u>	<u>28,534</u>
Total share-based compensation expense	<u>\$ 23,544</u>	<u>\$ 28,016</u>	<u>\$ 31,603</u>

There was no income tax benefit recognized in the statements of operations for share-based compensation for the years ended December 31, 2016, 2017 and 2018.

On April 30, 2019, all the options granted under the Kaixin Auto Group 2018 Plan were cancelled and replaced with awards of KAH following the consummation of the Business Combination. In May 2019, KAH granted 2,206,888 shares of stock option and 2,407,733 restricted shares to its employees, directors and officers, and advisors, under its 2019 Employee Incentive Plan. The Company is in the process of assessing the accounting impact of the transactions.

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20. RELATED PARTY BALANCES AND TRANSACTIONS

Details of major related party balances as of December 31, 2017 and 2018 are as follows:

(1) Amounts due from related parties

As of December 31, 2017 and 2018, amounts due from related parties including both current and non-current were as follows:

	Note	As of December 31,	
		2017	2018
Oak Pacific Investment	(i)	\$ -	\$ 93,880
Beijing Infinities	(ii)	-	60,000
Others		188	829

(i) The balance represents the US\$90 million note issued by Oak Pacific Investment to Renren and US\$3.88 million accrued interest expenses. In connection with the private placement transaction completed on June 21, 2018, OPI issued a note to Renren with an interest rate of 8% per year. The term of the note is the earlier of five years and the date upon which OPI and its subsidiaries no longer hold any shares of Social Finance Inc. In March 2019, the interest rate was increased to 8.5% per year in connection with a refinancing of Oak Pacific Investment's debt obligations. The balance is included in amount due from related party, non-current at December 31, 2018.

(ii) The balance represents the US\$60 million receivable from Beijing Infinities as of December 31, 2018 in connection with the disposition of the SNS business. The balance include, US\$20 million receivable in cash related as current and US\$40 receivable million in the form of Beijing Infinities shares to be issued to the Company related as non-current. Refer to Note 4 for further details.

(2) Amounts due to related parties

	As of December 31,	
	2017	2018
Minority shareholders	\$ 6,859	\$ -
Others	200	55
Total	<u>\$ 7,059</u>	<u>\$ 55</u>

Details of major related party transactions for the years ended December 31, 2016, 2017 and 2018 are as follows:

(3) Major transaction with related parties for amount due from related parties

	Years ended December 31,		
	2016	2017	2018
Equity investments without readily determinable fair values	\$ -	\$ 8,591	\$ -
Oak Pacific Investment	-	-	93,880
Beijing Infinities	-	-	60,000
Total	<u>\$ -</u>	<u>\$ 8,591</u>	<u>\$ 153,880</u>

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20. RELATED PARTY BALANCES AND TRANSACTIONS - continued

- (4) Transactions with related parties for amount due to related parties

	Years ended December 31,		
	2016	2017	2018
Oak Pacific Investment and its subsidiaries	\$ 10,692	\$ -	\$ 1,834
Others	413	333	5,418
Total	<u>\$ 11,105</u>	<u>\$ 333</u>	<u>\$ 7,252</u>

- (5) In July 2012, the Company purchased \$10,000 Series 2012-A Senior Secured Sofi Loan Notes issued by SoFi Lending Corp., a subsidiary of SoFi. Oak Pacific Holdings is a shareholder of SoFi and the Company's chairman and CEO, Joe Chen, is a director of SoFi. In September 2012, March 2014, January and February 2015, and October 2015, the Company invested \$49,000, \$20,789, \$22,331 and \$150,000 in newly issued Series B preferred shares, Series D preferred shares, Series E preferred shares and Series F preferred shares of SoFi, respectively, concurrently with a group of other investors. These transactions were approved by the independent, disinterested members of the Company's board and the audit committee of the board.

In April 2017, the Company disposed 5,719,986 preferred shares of SoFi for total net proceeds of \$91,926, recording a realized gain amounting to \$58,335.

- (6) In 2006, the Company entered into an agreement to make a loan of \$167 to Liu Guolan, who is the mother-in-law of the Company's CEO, for her investment into Beijing Hulian Shidai Telecom Technology Co., Ltd. ("Hulian Shidai"). The period of the loan is 10 years.

In 2016, the Company received \$7,188 from Liu Guolan for the repayment of the loan, which is all the proceeds directly or indirectly received by Liu Guolan through holding the investment in Hulian Shidai. \$7,021 of the repayment was recorded as other income in the year ended December 31, 2016 as the Company has no further obligations to the relevant payment received.

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21. SEGMENT INFORMATION

The Company's Chief Operating Decision Maker (the "CODM") is the CEO, who is responsible for decisions about allocating resources and assessing performance of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company's CODM.

During the years ended December 31, 2016, 2017 and 2018, the Company identified two reportable segments, namely Renren and Auto Group. The Auto Group segment mostly includes the sales of automobile as well as used car financing provided to used car dealerships while the Renren segment mostly includes the Company's SaaS business. The Company's SNS business, OPI and Online Gaming have been reclassified as discontinued operations.

	Year ended December 31, 2016			Year ended December 31, 2017			Year ended December 31, 2018		
	Renren	Auto Group	Total	Renren	Auto Group	Total	Renren	Auto Group	Total
Net revenues	\$ 18,097	29,384	47,481	21,931	152,693	174,624	19,122	479,076	498,198
Cost of revenues	(14,698)	(25,879)	(40,577)	(17,920)	(145,394)	(163,314)	(11,966)	(464,502)	(476,468)
Operating expenses	(35,344)	(25,536)	(60,880)	(58,543)	(30,456)	(88,999)	(66,847)	(68,285)	(135,132)
Operating loss	(31,945)	(22,031)	(53,976)	(54,532)	(23,157)	(77,689)	(59,691)	(53,711)	(113,402)
Net (loss) income from continuing operations	(39,060)	(24,054)	(63,114)	37,444	(28,695)	8,749	(69,285)	(89,532)	(158,817)
Net (loss) income from discontinued operations	(122,238)	-	(122,238)	(119,252)	-	(119,252)	223,298	-	223,298
Net (loss) income	<u>(161,298)</u>	<u>(24,054)</u>	<u>(185,352)</u>	<u>(81,808)</u>	<u>(28,695)</u>	<u>(110,503)</u>	<u>154,013</u>	<u>(89,532)</u>	<u>64,481</u>

The Company does not allocate assets to its current operating segments as management does not believe that allocating these assets is useful in evaluating these segments' performance. Accordingly, the Company has not made disclosure of total assets by reportable segment.

The majority of the Company's revenue for the years ended December 31, 2016, 2017 and 2018 was generated from the PRC.

As of December 31, 2016, 2017 and 2018, respectively, substantially all of long-lived assets of the Company were located in the PRC.

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22. NET (LOSS) INCOME PER SHARE

The following table sets forth the computation of basic and diluted net (loss) income per ordinary share for the years ended:

	Years ended December 31,		
	2016	2017	2018
Net loss:			
(Loss) income from continuing operations	\$ (63,114)	\$ 8,749	\$ (158,817)
(Loss) income from discontinued operations, net of tax	(122,238)	(119,252)	223,298
Net (loss) income	(185,352)	(110,503)	64,481
Add: net loss attributable to noncontrolling interest	-	76	8,059
Net (loss) income attributable to Renren Inc.	\$ (185,352)	\$ (110,427)	\$ 72,540
Weighted average number of ordinary shares outstanding used in computing net loss per ordinary share-basic	1,022,664,396	1,028,537,406	1,036,421,063
Incremental weighted average ordinary shares from assumed exercise of stock options using the treasury stock method	4,512,567	1,199,533	59,384,854
Weighted average number of ordinary shares outstanding used in computing net income per ordinary share-diluted	<u>1,027,176,963</u>	<u>1,029,736,939</u>	<u>1,095,805,917</u>
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - basic:			
(Loss) income per ordinary share from continuing operations	\$ (0.06)	\$ 0.01	\$ (0.15)
(Loss) income per ordinary share from discontinued operations	\$ (0.12)	\$ (0.12)	\$ 0.22
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - basic:	<u>\$ (0.18)</u>	<u>\$ (0.11)</u>	<u>\$ 0.07</u>
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - diluted:			
(Loss) income per ordinary share from continuing operations	\$ (0.06)	\$ 0.01	\$ (0.15)
(Loss) income per ordinary share from discontinued operations	\$ (0.12)	\$ (0.12)	\$ 0.20
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - diluted:	<u>\$ (0.18)</u>	<u>\$ (0.11)</u>	<u>\$ 0.07</u>

For the years ended December 31, 2017 and 2018, 142,615,572 and 39,752,430 stock options and 9,668,727 and 6,286,947 nonvested shares were excluded from the calculation of diluted weighted average number of common shares, respectively, as their effect was anti-dilutive.

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23. COMMITMENTS

(1) Operating lease as lessee

The Company leases its facilities and offices under non-cancelable operating lease agreements. In addition, the Company pays telecommunications carriers and other service providers for telecommunications services and for hosting its servers at their internet data centers under non-cancelable agreements, which are treated as operating leases. These leases expire through 2027 and are renewable upon negotiation. Rental and bandwidth expenses under operating leases for 2016, 2017 and 2018 from continuing operations were \$5,814, \$5,793, and \$8,269 respectively and from discontinued operations were \$333, \$133, and \$48, respectively.

Future minimum lease payments under such non-cancellable leases as of December 31, 2018 are as follows:

2019	\$ 5,735
2020	4,860
2021	1,840
2022	943
2023	332
2024 and thereafter	987
Total	<u>\$ 14,697</u>

(2) Future minimum principal payments related to the Company's long-term debts as of December 31, 2018 are as follows:

2019	-
2020	35,000
Total	<u>\$ 35,000</u>

(3) Unconditional investment commitment

The Company was obligated to pay up to \$1,736 and \$nil for the acquisition of investments under various arrangements as of December 31, 2017 and 2018, respectively.

Contingencies

In August 2018, the Kaixin's Ji'nan Dealership received a notice from the local police regarding an investigation of the dealership's premises. The Company believes the investigation is an isolated individual activity of the minority shareholder who holds 30% of the Ji'nan Dealership's equity interest. Certain assets of the Ji'nan Dealership are not assessable pursuant to the investigation. In connection with these events, the Company determined that it is probable that it cannot enforce the realization of the inventory value and that suppliers to the Ji'nan Dealership are unable to fulfil the contract obligation by either delivering vehicles or returning money to the Company due to the ongoing investigation. As a result, the Company wrote off all inventory and advances to suppliers of the Ji'nan Dealership, which totalled US\$5.7 million and US\$16.1 million respectively during the year ended December 31, 2018. In addition, in November 2018, Kaixin agreed to transfer its equity interest in the Ji'nan Dealership and the related assets to an affiliate of the Company. Following the transfer, the Company closed the dealership. As a result of the above, the Company subsequently fully impaired the goodwill related to the Ji'nan Dealership. Refer to note 4. The Company does not believe that the above will have any other effect on its business or financial conditions.

Additionally, from time to time, the Company is subject to legal proceedings in the ordinary course of business. The Company does not believe that any currently pending legal or administrative proceeding to which the Company is a party will have a material effect on its business or financial condition.

24. EMPLOYEE BENEFIT PLAN

Full time employees of the Company in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Company accrues for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits from continuing operations were \$6,051, \$7,130 and \$8,640 and from discontinued operations were \$503, \$399 and \$178 for the years ended December 31, 2016, 2017 and 2018, respectively.

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25. OTHER COMPREHENSIVE INCOME (LOSS)

Movement of accumulated other comprehensive income (loss) is as follow:

	Foreign currency translation adjustments	Unrealized gain (loss) on available-for-sale investments	Total
Balance as of December 31, 2015	\$ 1,490	\$ 35,634	\$ 37,124
Exchange difference	(10,994)	(19,247)	(30,241)
Balance as of December 31, 2016	\$ (9,504)	\$ 16,387	\$ 6,883
Exchange difference	9,585	648	10,233
Balance as of December 31, 2017	\$ 81	\$ 17,035	\$ 17,116
Exchange difference	(5,770)	(17,035)	(22,805)
Balance as of December 31, 2018	\$ (5,689)	\$ -	\$ (5,689)

The change in the balance from December 31, 2017 includes \$7,364 one-off cumulative-effect adjustment related to the adoption of ASU 2016-01 (See Note 2).

26. STATUTORY RESERVE AND RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Company's subsidiaries and VIE entities located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of the Company's subsidiaries, the Company's affiliated PRC entities and their respective subsidiaries. The Company's subsidiaries and VIE entities are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of December 31, 2018, none of the Company's PRC subsidiaries and VIE entities had a general reserve that reached the 50% of their registered capital threshold, therefore they will continue to allocate at least 10% of their after-tax profits to the general reserve fund.

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018
(In thousands of US dollars, except share data and per share data, or otherwise noted)

26. STATUTORY RESERVE AND RESTRICTED NET ASSETS - continued

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the board of directors of each of the Company's subsidiaries. The appropriation to these reserves by the Company's PRC subsidiaries was \$nil, \$nil and \$nil for the years ended December 31, 2016, 2017 and 2018, respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIE entities. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and VIE entities in the Company not available for distribution was \$435,999 and \$352,535 as of December 31, 2017 and 2018, respectively.

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
BALANCE SHEETS

(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,697	\$ 749
Prepaid expenses and other current assets	5,179	908
Amounts due from subsidiaries	1,144,420	493,231
Amounts due from related parties	-	93,880
Total current assets	<u>1,247,296</u>	<u>588,768</u>
Long-term investments	209,605	417
TOTAL ASSETS	<u>\$ 1,456,901</u>	<u>\$ 589,185</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt - current	52,604	-
Accrued expenses and other current liabilities	15,508	3,583
Amounts due to related party	-	27
Total current liabilities	<u>68,112</u>	<u>3,610</u>
Long-term liabilities	20,000	35,000
Other non-current liabilities	6,356	-
Deficit of investment in subsidiaries	687,629	403,110
TOTAL LIABILITIES	<u>\$ 782,097</u>	<u>\$ 441,720</u>
Equity:		
Class A ordinary shares, \$0.001 par value, 3,000,000,000 shares authorized, 726,549,453 and 737,222,448 shares issued and outstanding as of December 31, 2017 and 2018, respectively	727	737
Class B ordinary shares, \$0.001 par value, 500,000,000 shares authorized, 305,388,450 and 305,388,450 shares issued and outstanding as of December 31, 2017 and 2018, respectively	305	305
Additional paid-in capital	1,303,117	709,137
Accumulated deficit	(646,461)	(557,025)
Accumulated other comprehensive income	17,116	(5,689)
Equity	<u>674,804</u>	<u>147,465</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,456,901</u>	<u>\$ 589,185</u>

RENREN INC.

Additional Information - Financial Statement Schedule I
 Condensed Financial Information of Parent Company
STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
 (U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Selling and marketing	\$ 770	\$ 598	\$ 423
Research and development	1,363	1,092	1,035
General and administrative	25,477	33,519	25,536
Total operating expenses	27,610	35,209	26,994
Other income	307	1,385	924
Interest income	127	223	3,969
Interest expenses	(5,728)	(6,391)	(3,989)
(Loss) earnings in equity method investments	(3,968)	9,743	(1,415)
Gain on disposal of equity method investments	-	58,335	-
Gain on disposal of equity investments without readily determinable fair values	-	37,311	-
Gain on deconsolidation of the subsidiaries	-	-	182,441
Equity in loss of subsidiaries and variable interest entities	(148,480)	(175,824)	(82,396)
Net loss	\$ (185,352)	\$ (110,427)	\$ 72,540
Other comprehensive (loss) income, net of tax:			
Foreign currency translation	(10,994)	9,585	(5,770)
Net unrealized (loss) gain on available-for-sale investments, net of tax of \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	(18,518)	3,891	(9,671)
Non-controlling interest disposition	-	-	2,519
Transfer to statements of operations of realized gain on available-for-sale securities, net of tax of \$nil for the years ended December 31, 2016, 2017 and 2018, respectively	(729)	(3,243)	(7,364)
Other comprehensive (loss) income	\$ (30,241)	\$ 10,233	\$ (20,286)
Comprehensive (loss) income	\$ (215,593)	\$ (100,194)	\$ 52,254

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2016	2017	2018
Cash flows from operating activities:			
Net (loss) income	\$ (185,352)	\$ (110,427)	\$ 72,540
Equity in income of subsidiaries and variable interest entities	148,480	175,824	82,396
Share-based compensation expense	23,544	28,016	22,557
Gain on deconsolidation of subsidiaries	-	-	(182,441)
Gain on disposal of equity investments without readily determinable fair values	-	(37,311)	-
Exchange loss (gain) on offshore accounts	3	(1)	1
Loss (earnings) in equity method investment	3,968	(68,078)	1,415
Fair value change of liability-classified warrant	(105)	(195)	-
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	107	(294)	(646)
Accrued expenses and other current liabilities	(1,689)	1,902	(11,925)
Other non-current liabilities	5,332	5,862	(58,960)
Increase in amounts due from subsidiaries	(65,055)	(27,710)	91,089
Net cash (used in) provided by operating activities	(70,767)	(32,412)	16,026
Cash flows from investing activities:			
Restricted cash	15,370	-	-
Proceeds from principal return on SoFi Loan Note	5,879	-	-
Proceeds from sale of equity method investment	18,460	91,926	-
Proceeds from sale of equity investments without readily determinable fair values	-	32,726	4,585
Purchase of equity method investment	(1,000)	(500)	-
Cash disposed of from deconsolidation of subsidiaries	-	-	-
Net cash provided by investing activities	38,709	124,152	4,585
Cash flows from financing activities:			
Proceeds from exercise of share options	1,430	262	1,107
Proceeds from borrowings	130,000	-	27,000
Cash distribution to shareholders related to acquisition of OPI	-	-	(133,665)
Repayment of borrowings	(100,000)	(10,000)	(12,000)
Proceeds from loan from a related party	10,692	-	-
Net cash provided by (used in) financing activities	42,122	(9,738)	(117,558)
Net increase (decrease) in cash and cash equivalents	10,064	82,002	(96,947)
Cash and cash equivalents at beginning of year	5,633	15,694	97,697
Effect of exchange rate changes	(3)	1	(1)
Cash and cash equivalents at end of year	\$ 15,694	\$ 97,697	\$ 749

RENREN INC.

**Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
NOTES TO FINANCIAL STATEMENTS**

(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

1. BASIS FOR PREPARATION

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 investments in its subsidiaries and VIE.

The condensed financial information is provided since the restricted net assets of the Company's subsidiaries, VIEs and VIEs' subsidiaries were \$352,535 over 25% of the consolidated net assets of the Company as of December 31, 2018.

2. INVESTMENTS IN SUBSIDIARIES, VIE AND VIE'S SUBSIDIARIES

The Parent Company and its subsidiaries, VIEs and VIEs' subsidiaries were included in the consolidated financial statements where inter-company balances and transactions were eliminated upon consolidation. For purpose of the Parent Company's stand-alone financial statements, its investments in subsidiaries, VIEs and VIEs' subsidiaries were reported using the equity method of accounting. The Parent Company's share of loss from its subsidiaries, VIEs and VIEs' subsidiaries were reported as share of loss of subsidiaries, VIEs and VIEs' subsidiaries in the accompanying Parent Company financial statements. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to \$nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the Parent Company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries, VIEs and VIEs' subsidiaries regardless of the carrying value of the investment even though the Parent Company is not obligated to provide continuing support or fund losses.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “**Agreement**”) is made on November 13, 2018 by and between:

- (1) Beijing Infinities Interactive Media Co., Ltd. (the “**Buyer**”), a joint stock company duly incorporated and existing under the laws of the People’s Republic of China (the “**PRC**”) with limited liabilities, with its registered address at Room 204, 2F, Xinghua Green Industry Building, Baosheng East Road, Haidian District, Beijing (Dongsheng area); and
- (2) Beijing Qianxiang Wangjing Technology Development Co., Ltd. (the “**Seller**”), a limited liability company duly incorporated and existing under the laws of the PRC, with its registered address at Room 315, 3F, Building 1, No. 17 Xijing Road, Shijingshan District, Beijing.

Each shall individually be referred to as a “**Party**”, to each other as the other Party, together as the “**Parties.**”

WHEREAS:

1. The seller is engaged in the business in relation to Renren.com, a social networking platform; and
2. The Seller wishes to sell to the Buyer and the Buyer agrees to purchase from the Seller, the Acquired Assets (as defined below) owned by the Seller, all rights related thereto, including but not limited to ownership, rights of possession, use rights, income rights and disposition rights, and other benefits in accordance with the terms and conditions agreed herein (the “**Asset Purchase**”).

NOW, THEREFORE, the Parties hereby enter into the Agreement in respect of the Acquired Assets.

Section 1 Definitions

For purpose hereof, the following terms shall have the following meanings:

Acquired Assets has the meaning set forth in Section 3.1 hereof.

Closing Date has the meaning set forth in Section 7.1 hereof.

Consideration has the meaning set forth in Section 4.1 hereof.

Government Authority has the meaning set forth in Section 5.3(3) hereof.

Working Day means a day on which banks are open for business in the PRC (excluding Saturdays and Sundays).

Section 2 General Provisions of Acquisition

2.1 Sale and Purchase of Acquired Assets. Subject to the terms and conditions set forth herein, the Seller shall sell to the Buyer, and the Buyer shall purchase from the Seller, the Acquired Assets. On and from the Closing Date, the Buyer shall be entitled to all ownership, rights and interests of the Acquired Assets and be liable for all risks, indebtedness, liabilities and obligations in connection with the Acquired Assets, and the Seller shall no longer be entitled to all ownership, rights and interests of the Acquired Assets or be liable for any risks, indebtedness, liabilities and obligations in connection with the Acquired Assets, except for those risks, indebtedness, liabilities and obligations in connection with the Acquired Assets as a result of any causes arising prior to the Closing Date under Section 2.3 hereof, in which case the Seller shall still be liable for the related risks, indebtedness, liabilities and obligations and the Buyer agrees to make efforts in good faith to, or cooperate with the Seller to, reduce any loss suffered by any Party or both Parties resulting from such risks, indebtedness, liabilities and obligations (any reasonable and necessary expenses or costs incurred by the Buyer for taking such acts shall be borne by the Seller), and any compensation for any loss of the Seller arising out of the Buyer's negligence in acting shall otherwise be agreed by the Parties through consultations within the scope of the agreed-to-be-transferred business pursuant to the Business Transfer Agreement (as defined below) otherwise executed by the Parties hereto.

2.2 No Security Interests. The Seller shall ensure that the ownership of the Acquired Assets on the Closing Date is not subject to any mortgage, pledge, lien or other security interests or any third party rights, except for those that have been disclosed by the Seller to the Buyer with written consent from the Buyer as of the date hereof.

2.3 Closing. The Acquired Assets shall be deemed to have been transferred to the Buyer on the Closing Date whenever the completion of transfer formalities for the Acquired Assets happens. Prior to the Closing Date, all risks, indebtedness, liabilities and obligations arising from the Acquired Assets or the business of Renren.com carried out by the Seller shall be borne and assumed by the Seller. For the avoidance of doubt, after the Closing Date, if, in absence of any fault of the Seller, any third party insists that the Seller continue to assume or discharge any risks, indebtedness, liabilities or obligations related to the Acquired Assets, the Buyer shall provide reasonable cooperation at good faith, and each Party shall bear any expenses that shall be borne by it in accordance with applicable laws and receive any income that it shall be entitled by bearing the such expenses, unless otherwise agreed by the Parties.

2.4 Authorization after Closing. (1) The Buyer agrees that the Seller, with the approval from the Buyer, shall have the right to use the trademarks set forth in Schedule III within the scope of industries that do not compete with the Buyer's businesses including but not limited to Internet advertising business, value-added telecommunications business and Internet cultural service. Prior to the date of this Agreement, as otherwise agreed in writing by the Buyer, the Buyer may choose to continue the trademark authorization granted to any third party within the period approved by the Buyer and within the scope of the Seller's trademark authorization to third parties as disclosed by the Seller to the Buyer in Schedule IV, as specified in any formal agreement executed by relevant parties; (2) the Seller agrees that if title transfer cannot be completed in respect of some intellectual properties of the Acquired Assets until completion of amendment registrations therefor ("**Registration-required Assets**"), prior to relevant registrations, the Seller shall enter into relevant agreements with the Buyer to grant the Buyer unconditional authorization or license to use such intellectual properties free of charge (for the avoidance of doubt, any such authorization or license made by the Seller in respect of any trademark shall be limited to authorizing or licensing the Buyer to use such trademark within the scope of the category of such four-digit number that the trademark is categorized under the PRC law).

Section 3 Acquired Assets

3.1 Acquired Assets. The Acquired Assets refer to all assets owned by the Seller that are related to the business of Renren.com and any rights and interests thereto, including but not limited to:

(1) all assets listed in Schedule I hereto, including but not limited to all fixed assets and intangible assets including but not limited to related domain names, APPs, patents, computer software copyrights, trademarks, trademark application rights, technical secrets, computer programs, non-patented technologies, know-hows, qualifications, licenses, historical pictures, video materials and all existing data and historical data, involved in the Seller's operation of Renren.com; provided that such assets shall be sufficient to ensure that Renren.com is able to function properly according to its current operating standards and any absence of any assets owned originally by the Seller or its affiliates in such assets shall not have any adverse effect on Renren.com's normal operation according to its current operating standards;

(2) Documents and records. all business records, financial and accounting records, operating records, operational data, operational statistics, training manuals and all related documents, records, data, logs, manuals and materials (whether in writing or stored in a computer electronically) or their true, accurate and complete copies that are used by the Seller in connection with the Acquired Assets and related businesses;

(3) Rights and claims. all warranties, claims, indemnity rights, right of set-offs, creditor's rights and other similar rights relating to or arising from the Acquired Assets, including but not limited to all benefits and all rights thereto obtained or entitled in connection with the Acquired Assets under all third-party property insurance and accident insurance, excluding any indebtedness or liabilities in respect of the Acquired Assets incurred on or before the Closing Date or resulting from any cause on or before the Closing Date.

3.2 The Parties acknowledge that, unless otherwise provided herein or otherwise agreed in writing by the Parties, the Seller shall not transfer any debts to the Buyer in the Asset Purchase and the following debts or liabilities shall be borne by the Seller:

(1) All debts or liabilities incurred on or before the Closing Date or arising from any cause on or before the Closing Date, including but not limited to any liabilities to be assumed by the Seller or the Buyer as a result of any violations of any laws or regulations by the Seller during its business operations on or before the Closing Date; provided that (i) if the Buyer's reluctance to accept the employees listed in Schedule VI results in any severance compensation (if applicable) by the Seller to such employees, the Buyer shall compensate the Seller in full in respect thereof; (ii) if, in absence of any fault of the Seller, any counterparty to any contract in respect of any Acquired Asset insists that the Seller continue to perform or assume the obligations under such contract, the Buyer shall provide reasonable cooperation in good faith, and each Party shall bear any expenses that shall be borne by it in accordance with applicable laws and receive any income that it shall be entitled by bearing the such expenses, unless otherwise agreed by the Parties

(2) All debts or liabilities of the Seller in respect of tax;

(3) All debts or liabilities including tax liabilities (whenever such debts or liabilities are made or occurred) arising out of or relating to: (i) any employment by the Seller of any person or any service provision by such person before termination of employment contract or service contract with the Seller, or termination of any employment with any person or termination of any service provided by such person; (ii) any right to claim by any employee against the Seller before the Seller terminates the employment contract; (iii) any dispute arising from any employee benefit plan before any termination of employment contract with the Seller, including but not limited to the default or missed payment of social insurance and housing fund. For the avoidance of doubt, if such debt or liability arises from any cause before the termination of the employment contract or service contract with the Seller by such employee or service provider, the debt or liability shall be the responsibility of the Seller; provided that if any former employees of the Seller enters into an employment contract or establish service relations (the “**New Employment**”) with the Buyer or any of its affiliates, the Seller shall not be liable for any debts or liabilities of the Buyer relating to the New Employment. The Seller shall only assume the liabilities that shall be assumed by the Seller before termination of employment relationship between the related employee and the Seller.

Section 4 Consideration and Payment

4.1 Consideration. The Parties hereto agree that the price of the Asset Purchase (the “**Consideration**”) shall be an amount denominated in RMB equivalent to US\$20,010,000, calculated based on the medium rate of exchange of US dollar to RMB published by the People’s Bank of China on each payment date.

The Consideration shall be paid in accordance with the provisions of Section 4.2 hereof.

4.2 Payment. On the payment date under the Agreement, if there is no violation or dissatisfaction by the Seller or no obvious evidence from the Buyer that the Seller will not satisfy the conditions to Buyer’s performance of obligations as specified in Section 7.2 hereof, or any such violation, dissatisfaction or evidence has been waived in writing by the Buyer, the Buyer shall:

(1) pay US\$10,000,000 equivalent of RMB on or before December 31, 2018;

(2) pay US\$5,000,000 equivalent of RMB on or before February 1, 2019; and

(3) pay US\$5,010,000 equivalent of RMB on or before March 1, 2019.

The Consideration shall be paid to the following account of the Seller:

Bank Name	China Merchants Bank, Beijing East Third Ring Branch
Account Name	Beijing Qianxiang Wangjing Technology Development Co., Ltd.
Account Number	110906269610601

Section 5 Seller's Representations and Warrants

The Seller, in addition to those that have been disclosed in the Disclosure Letter attached as Schedule V, hereby represents and warrants to the Buyer and in favor of the Buyer as in the following Sections 5.1, 5.2, 5.3, 5.7, 5.8, 5.9, 5.10 and 5.13 on the date hereof and the Closing Date, and represents and warrants to the Buyer and in favor of the Buyer on the Closing Date under the Agreement that:

5.1 **Organization.** The Seller is a limited liability company duly organized and validly existing under the laws of the PRC. It has the full power and authority to own, use, benefit from and operate its properties, to engage in the business it currently carries out and to perform its obligations hereunder and any ancillary documents that it may enter into in accordance with the provisions hereof.

5.2 **Authorization and Enforceability.** The Seller has all necessary rights, powers and authority to conclude, execute, deliver and perform the Agreement and any other documents required to perform the Agreement. The Agreement and any such other documents, upon coming into effect, shall constitute legal, valid, binding and enforceable agreements for the Seller.

5.3 **No Violation or Default.** No execution, delivery and performance hereof by the Seller shall contravene or result in a breach of any of the following provisions, or constitute a default (or result in exercising any right to terminate in accordance therewith) or a violation of any of the following:

(1) the Seller's business license, Sections of association or other constitutional documents;

(2) any contract to which the Seller is a party;

(3) any PRC law, or any judgment, order, ruling or decree issued by any court, other tribunal, government or governmental agency, department, committee or other organizations or institutions (the "**Government Authority**") that has jurisdiction over the Seller or any assets owned by it.

5.4 Ownership and No Security Interests. On the Closing Date, the Seller has the ownership over the Acquired Assets, which shall not be subject to any mortgage, pledge, lien or other security interests or any third party rights, and the ownership of the Acquired Assets shall be deemed to have been transferred in full to the Buyer on the Closing Date.

5.5 Status of Acquired Assets. All relevant assets are used and maintained in accordance with generally accepted standards and are sufficient to satisfy the needs of the Seller's continued operation of Renren.com on and before the Closing Date and the Buyer's continued operation of Renren.com after the Closing Date in accordance with the Seller's daily operating standards prior to the Closing Date (and if there is any change of law or other force majeure that causes the Acquired Assets and the acquired business unable to be operated in accordance with the Seller's daily operating standards prior to the Closing Date, the Seller shall not assume any liabilities) and will not have any changes that have adverse effect to the Buyer's receipt, holding, use, and disposal of the Acquired Assets and relevant assets will not become obsolete, invalid or unusable during their normal use period. Except as otherwise agreed herein, any form of intangible assets of the Acquired Assets, including but not limited to related domain names, APPs, patents, computer software copyrights, trademarks, trademark application rights, technical secrets, computer programs, non-patented technologies, technical know-hows, historical pictures, video materials and all existing data and historical data, after the transfer of relevant assets, shall not in any form be occupied, used or authorized to any third party to occupy or use, except as provided in Section 2.4 hereof. The Seller undertakes to keep the content of such intangible assets (the "**Confidential Information**") permanently confidential to third parties, provided that the Seller shall not be deemed to have violated the confidentiality obligation provided in this section if: (1) such Confidential Information has come into public domain not due to the Seller's violation of the confidentiality obligation provided in this section; (2) the Seller is made to disclose the Confidential Information in conflict with this section in accordance with applicable laws including but not limited to the securities laws and regulations, provided that the Seller shall inform the Buyer of the proposed disclosure before such disclosure and limit the scope of disclosure to the minimum required by the law; and (3) the Seller discloses the Confidential Information to its current or prospect investors, employees, investment banks, lenders, partners, accountants and lawyers in good faith, in each case, disclosure may only be made if such persons or entities have similar confidentiality obligation as set forth in this section and if such persons or entities breach the obligation of confidentiality, the Seller shall be deemed to have breached the confidentiality obligation hereunder concurrently.

5.6 Ordinary Course of Business. Except as otherwise agreed herein, as of the Closing Date, the Seller still, in the course of its normal business, based on its past practice and in accordance with applicable laws, operate the normal business of the Acquired Assets, operate, use and maintain the Acquired Assets and use its best efforts to preserve its complete business structure, maintain the services provided by its employees, and keep in contact with its clients, lessors, lenders, vendors, distributors, trustors, trustees and other persons who carry out transactions and establish business relationship with it.

5.7 Government Approvals. In addition to those that have been disclosed to the Buyer, the Seller has obtained all approvals, authorizations, confirmations, permissions, registrations or other consents (if required) from any government agency in respect of the transfer of domain name as required by applicable laws, and such approvals, authorizations, confirmations, permissions, registrations or other approvals remain in effect. For the avoidance of doubt, the Seller specifically acknowledges that the Asset Purchase requires no or has obtained such approvals, permissions, filings and consents from the relevant regulators of Renren Inc., an overseas affiliate of the Seller, including but not limited to the US Securities and Exchange Commission and US stock exchanges and has made relevant information disclosure required at this stage.

5.8 Intellectual Property. The seller has disclosed to the Buyer all intellectual property that the Seller owns or has the right to use in respect of the Acquired Assets, or that are required to operate Renren.com's business before the transfer of the operational control of Renren.com to the Buyer, including but not limited to Renren.com-related domain names, APPs, patents, computer software copyrights, trademarks, trademark application rights, technical secrets, computer programs, non-patented technologies, technical know-how, historical pictures, video materials and all existing data and historical data. The operation of Renren.com and the use of the Acquired Assets by the Seller before the transfer of the operational control of Renren.com to the Buyer, or the transfer of the Acquired Assets including such intellectual property or the use rights in respect thereof, do not infringe any patents, trademarks, copyrights, service marks, technical secrets, proprietary technologies or any other third party's intellectual property rights.

5.9 Litigation. (1) Except as already disclosed to the Buyer, to the knowledge of the Seller, there are no legal actions, claims or requirements pending or threatened against the Seller for purpose of limiting or prohibiting the completion of the Asset Purchase to obtain compensation, and there are no government order issued by a Government Authority with jurisdiction that has come into effect to restrict or otherwise prohibit the Asset Purchase. For purpose of the preceding sentence, "to the knowledge" means the Party's actual knowledge after due and prudent inquiries to such management, directors and other employees as the Party may reasonably believe to be aware of the information, or (2) except as already disclosed to the Buyer, there are no litigations, arbitrations, trials, investigations or other proceedings that arise not in its daily operation and that, if an adverse award is made, would adversely affect the Acquired Assets and liabilities.

5.10 Financial data. The Seller commits that the financial data provided by it to the Buyer in respect of the Acquired Assets are true, complete, accurate and valid, that there are no circumstances of false information, material omissions or inconsistencies with facts in any form, and that the Seller shall bear any loss suffered by the Buyer arising out of such false information, material omissions or inconsistencies with the facts.

5.11 Information Protection. The Seller complies with the provisions under the information protection laws and administrative regulations of the PRC in operating the business of Renren.com. There are currently no claims, litigations, arbitrations, trials, investigations or other proceedings arising from the violation of information protection laws and regulations in respect of the Acquired Assets or the operation thereof.

5.12 No material changes. In addition to the purchase contemplated by the Agreement, (i) the Seller only carries out business during ordinary course of business, and (ii) no event, change or situation that, alone or together with any other events, changes or situations, has or is reasonably expected to have a material adverse effect on the Seller, the Acquired Assets and/or the purchase contemplated by the Agreement has occurred.

5.13 Full disclosure. No representations and warranties provided by the Seller hereunder and no other documents, certificates and materials provided hereunder have made any untrue statements about any material facts or matters, or made any material facts concealed or misleading. Except as disclosed in the Disclosure Letter attached as Schedule V, the Acquired Assets and the Asset Purchase do not have any existing or potential risks, including risks in the business, financial and legal respect, in accordance with applicable laws, including but not limited to the PRC laws.

Section 6 Buyer's Representations and Warranties

The Buyer hereby represents and warrants to the Seller and in favor of the Seller on the date hereof and the Closing Date that:

6.1 Organization. The Buyer is a joint stock company duly organized and validly existing and in good standing under the laws of the PRC with limited liabilities. It has the full power and authority to perform its obligations hereunder and any ancillary document that it may enter into in accordance with the provisions hereof.

6.2 Authorization and Enforceability. The Buyer has all necessary powers and authority to conclude, execute, deliver and perform the Agreement and any other documents required to perform the Agreement. The Agreement and any such other documents, upon coming into effect, shall constitute legal, valid, binding and enforceable agreements for the Seller.

6.3 No Violation or Default. No execution, delivery and performance hereof by the Buyer shall contravene or result in a breach of any of the following provisions, or constitute a default (or result in exercising any right to terminate in accordance therewith) or a violation of any of the following:

- (1) the Buyer's business license, articles of association or other constitutional documents;
- (2) any material contract executed by the Buyer, except that the Buyer has or is obtaining the consent from the other parties to the contract; or
- (3) any PRC law, or any judgment, order, ruling or decree issued by any Government Authority that has jurisdiction over the Buyer or any assets it owned by it.

6.4 Payment of Consideration. After the terms and conditions agreed herein are fulfilled, the Buyer shall pay the Consideration for the purchase promptly in full pursuant to the agreements hereunder.

Section 7 Closing and Closing Conditions

7.1 Closing. The expected purchase hereunder shall be completed (the “**Closing**”) on the date of the completion of transfer of the relevant domain name (the “**Domain Name**”) in the Acquired Assets set forth in Schedule I to the Buyer or its designated affiliate (the “**Closing Date**”). Within 30 days from the Closing Date, the Seller shall submit to the relevant Government Authority for registrations, filings and other formalities in respect of the change of ownership of the Acquired Assets other than the Domain Name, and the Buyer shall cooperate in good faith in respect thereof. If the Buyer is required to apply for or obtain relevant qualifications from any Government Authority for the completion of the transfer of the Acquired Assets, the Seller shall, if required, provide cooperation in good faith, including but not limited to moving relevant domain name out from the Seller’s relevant qualification or license as required by the Buyer, and, if necessary, cooperating with the Buyer to complete formalities for registration of the relevant domain name under the Buyer’s name, provided that such cooperation shall not cause any costs, expenses or losses that, at the Seller’s reasonable discretion, are unaffordable to the Seller.

The Seller and the Buyer or their respective affiliates shall agree on the transfer and handover of the business in respect of the Acquired Assets and execute a written agreement (the “**Business Transfer Agreement**”). The application by the Seller for the Domain Name transfer to the relevant Government Authority shall be subject to the execution of the Business Transfer Agreement which shall automatically take effect on the Closing Date agreed upon in the Agreement.

7.2 Conditions to Buyer’s Performance of Obligations

The Buyer’s obligation to commence and complete the Closing is subject to the fulfillment of the following conditions on or before Closing; or, at the Buyer’s discretion, subject to the waiver by the Buyer of such conditions for Closing:

(1) Representations and Warranties

On the date hereof and the Closing Date, all representations and warranties made by the Seller herein and in the relevant agreements in connection with the Agreement shall be true and correct, as if they were made on the Closing Date, except for those representations and warranties that are expressly provided as being made on another date, in which case the Seller’s representations and warranties shall be deemed as if they were made on that specific date.

(2) Performance

The Seller shall have fully performed and complied with all agreements, obligations, undertakings, warranties and conditions required hereunder that it shall perform or comply with at or before the Closing.

(3) Material Adverse Effect

No events shall have occurred from the execution hereof to the Closing Date which may have a material adverse effect on the Acquired Assets and related businesses.

(4) Sale and Transfer Certificate

For all Acquired Assets, the Seller shall have executed a sale and transfer certificate (the “**Sale Certificate**”) substantially in the form and content as set forth in Schedule II hereof on or before the Closing Date and have delivered the Sale Certificate to the Buyer.

7.3 Conditions to Seller’s Performance of Obligations

The Seller’s obligation to commence and complete the Closing is subject to the fulfillment of the following conditions at or before the Closing; or, at the Buyer’s discretion, to the waiver by the Buyer of such conditions for the Closing:

(1) Representations and Warranties

On the date hereof and the Closing Date, the representations and warranties made by the Buyer herein and in the relevant agreements in connection with the Agreement shall be true and correct, as if they were made on the Closing Date, except for those representations and warranties expressly specified as being made on another date, in which case the Seller’s representations and warranties shall be deemed as if they were made on that specific date.

(2) Performance

The Buyer shall have performed and complied with all agreements, obligations, and conditions required hereunder that it shall perform or comply with at or before the Closing in all material aspects.

Section 8 Undertakings

8.1 Further Assurance. The Seller and the Buyer hereby agree to cooperate with each other and to complete any and all pending work relating to the transaction contemplated by the Agreement as soon as possible without paying further consideration. For this purpose, both Parties hereto shall take or procure to take all necessary actions, including but not limited to: (1) completing the delivery and transfer formalities in respect of the Acquired Assets; and (2) executing and delivering all agreements including but not limited to the Business Transfer Agreement, documents and certificates to be executed or delivered by both Parties; and (3) applying to, filing with or obtaining from any Government Authority or any third party (as the case may be) for all required notices, permits, approvals, authorizations, consents, files and registrations authorized, filed or issued by such Government Authority or third party, to ensure full effect of the terms hereof. Any matters that must be resolved in effecting the Agreement but not covered by the Agreement shall be resolved in a fair, equal and appropriate manner through consultations by the Parties hereto.

8.2 Notice of Adverse Changes. The Seller shall immediately notify the Buyer in writing of any circumstances that may have a material adverse effect on the transaction contemplated hereunder or the Acquired Assets after the date hereof but before the Closing Date. Such circumstances shall include but not limited to any litigations, arbitrations, trials, investigations or other proceedings against the Seller that may have a material adverse effect on the transaction contemplated hereunder, or any approval or direction from any Government Authority, or any loss or damage to any of the Acquired Assets.

8.3 Employee

The Seller shall assist in the transfer, under the consent of the Buyer, of the corresponding employees in respect of the Acquired Assets to the Buyer or its actually controlled affiliates to be managed by the Buyer. The specific employee list is detailed in Schedule VI. The Seller shall ensure that each of such employees has signed an employment termination agreement with the Seller, and that the social security fees and housing fund of the employee before the termination of employment with the Seller or the affiliate have been borne by the seller.

8.4 Other assistance

The Seller shall assist the Buyer in getting in touch with the original suppliers, partners and distributors of the Acquired Assets, and make commercially reasonable efforts to enable the Buyer to carry out the business related to the Acquired Assets after Closing; the Seller shall make commercially reasonable efforts and procure the counterparties to agree to transfer the outstanding rights and obligations under the contracts and agreements in connection with the Acquired Assets to the Buyer or its actually controlled affiliates.

Section 9 Indemnity, Breach of Contract Liability and Termination

9.1 Seller's Indemnity Liability. the Seller agrees to indemnify the Buyer from and against all demands, claims, actions, losses, liabilities, compensations, costs and expenses directly or indirectly assumed or suffered by the Buyer resulting from matters arising from the Seller's breach of any of its representations, warranties, undertakings or agreements hereunder and to compensate the Buyer for all losses suffered therefrom. After the Buyer receives the Acquired Assets, if a third party makes any claims against the Buyer in respect of the Acquired Assets and such claims are based on any condition of the Acquired Assets before the Closing Date, the Seller shall, whether it has breached any of its representations, warranties, undertakings or agreements hereunder, take actions to exempt the Buyer from compensation or to indemnify the Buyer against any loss suffered by the Buyer as a result of such claim. The Buyer agrees to make efforts in good faith to reduce or cooperate with the Seller to reduce any loss that such risks, indebtedness, liabilities and obligations may have on any Party or both Parties with reasonable and necessary expenses or costs incurred by the Buyer for such efforts born by the Seller and any compensation for the Seller's losses arising from the Buyer's negligence in making such efforts shall be agreed by the Parties through consultations in accordance with the Business Transfer Agreement entered into separately by the Parties within the scope of the agreed-to-transfer business.

9.2 Buyer's Indemnity Liability. the Buyer agrees to indemnify the Seller from and against all demands, claims, actions, losses, liabilities, compensations, costs and expenses directly or indirectly assumed or suffered by the Seller or made against the Seller arising from the Buyer's breach of any of its representations, warranties, undertakings or agreements hereunder and to compensate the Seller for all losses suffered therefrom. Any claim made under this section shall be made in writing to the Buyer and shall be accompanied by a reasonably detailed description of the facts and situations that caused the claim. If the Buyer fails to pay the Consideration on time in accordance with Section 4.2 hereof, the Buyer shall pay an overdue fee equal to 0.3% of the outstanding Consideration to the Seller or any designated affiliate of the Seller.

9.3 Termination upon Failure of Closing. In case the Closing and Closing Conditions agreed in Section 7 hereof fail to be fulfilled, if the failure is caused by one Party, the other Party shall have the right to request termination hereof; and if the failure is caused by both Parties, either Party shall have the right to request termination hereof. If the Agreement is terminated for the above reasons, each Party shall return the other Party all of the considerations or assets obtained from the other Party, and shall be liable for indemnifying the other Party against any losses (if any) incurred by it, except as otherwise agreed on the indemnity liability in the Agreement. For the avoidance of doubt, after the Closing Date, both Parties shall procure in an active manner to complete the follow-up formalities hereunder and shall not terminate the Agreement unless agreed by the other Party or otherwise agreed herein.

9.4 Other. If any Party hereto violates any of its obligations or undertakings hereunder, or any of its representations and warranties made hereunder are found to be inconsistent with the facts or misleading, whether in good or bad faith, in addition to the indemnity liability provided herein, the non-defaulting Party shall have the right to demand remedy by the defaulting Party within 30 days. If the defaulting Party fails to remedy within the time limit, the non-defaulting Party shall have the right to rescind the Agreement.

Section 10 Tax Matters

10.1 Tax. The Parties hereto shall be responsible for their respective income tax, stamp duty or other taxes arising from the Asset Purchase in accordance with the laws and administrative regulations of the PRC.

Section 11 Governing Law and Dispute Resolution

11.1 Governing Law. The execution and performance hereof shall be governed by and construed in accordance with PRC law.

11.2 Disputes Resolution. Any dispute arising out of or in connection with the Agreement shall be resolved through friendly consultations by the Parties. If the dispute fails to be resolved through friendly consultations, either Party shall have the right to submit it to the China International Economic and Trade Arbitration Commission for arbitration in Beijing pursuant to the arbitration rules in force at the time of the arbitration.

Section 12 Other Provisions

12.1 Effectiveness. The Agreement shall come into effect on the date of execution by both Parties hereto and approval hereof by the shareholders' meeting resolution/ shareholders' decision of the Seller.

12.2 Severability; No Waiver. If any term or provision hereof is held invalid or unenforceable by any competent court or any other Government Authorities, the remaining terms and provisions hereof shall not be affected and shall remain in full validity and enforceability. Anything in the Agreement shall not render the failure of any Party hereto to require strict performance by the other Party of any provision in the Agreement to constitute a waiver to such provision, unless a waiver is delivered to such other Party in writing in respect thereof pursuant to the Agreement.

12.3 Entire Agreement; Amendment; Termination. The Agreement constitutes the entire agreement between the Parties hereto as to its subject matter hereof and supersedes all prior agreements in respect of the subject matter. The Agreement may not be amended or ended without the written consent of the Parties to the Agreement. The attachments to the Agreement have the same legal effect as the Agreement.

12.4 Assignment. Neither Party hereto shall assign the Agreement or any of its rights and interests or liabilities and obligations hereunder without the prior written consent of the other Party.

12.5 Forms of Documents in Schedules. The forms of the relevant documents set forth in the Schedules to the Agreement may be amended as required by relevant Government Authorities, in accordance with changes in the laws and regulations of the PRC, based on the changes in relevant situations or by the consent of both Parties to the Agreement.

12.6 Language. The Agreement is written in both Chinese and English. In case of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

12.7 Originals. The Agreement is made in four originals with equal legal effect. Each Party shall hold two originals.

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed by the Parties hereto on the date first written above.

BUYER:

BEIJING INFINITIES INTERACTIVE MEDIA CO., LTD.

By:
Name:
Title:

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed by the Parties hereto on the date first written above.

SELLER:

**BEIJING QIANXIANG WANGJING TECHNOLOGY
DEVELOPMENT CO., LTD.**

By:
Name: Yang Jing
Title: Legal Representative

Schedule I List of Acquired Assets

Form of Sale and Transfer Certificate

This sale and transfer certificate (the “**Certificate**”) is issued by Beijing Qianxiang Wangjing Technology Development Co., Ltd. (the “**Seller**”) to Beijing Infinities Interactive Media Co., Ltd. (the “**Buyer**”) on [date].

WHEREAS:

A. The Seller and the Buyer entered into an asset purchase agreement (the “**Asset Purchase Agreement**”) on [date] 2018. Unless otherwise defined in this Certificate, capitalized terms used in this Certificate shall have the meanings ascribed to them in the Asset Purchase Agreement; and

B. Pursuant to the Asset Purchase Agreement, the Seller agrees to sell, transfer, assign and deliver the relevant assets owned and the relevant rights and interests thereto entitled by the Seller to the Buyer.

NOW, THEREFORE, the Seller confirms to the Buyer on the Closing Date that:

1. Sale and Purchase of Assets. Pursuant to the agreement set forth in the Asset Purchase Agreement, the Seller hereby sell, transfer, assign and deliver to the Buyer the ownership and other rights and interests thereto entitled by the Seller as of the date of issuing this Certificate in respect of the Acquired Assets without any encumbrance (except for the encumbrances that have been disclosed to the Buyer).

Beijing Qianxiang Wangjing Technology Development Co., Ltd.

Legal/Authorized Representative: _____

Schedule III List of Trademarks Authorized by the Buyer to be Used by the Seller within a Specific Scope

Schedule IV Authorization of Trademarks by the Seller to Third Parties Prior to the Date of the Agreement

Schedule VI List of Employees to be Transferred

Share Subscription Agreement

This Share Subscription Agreement (the “**Agreement**”) is made on November 13, 2018 by and between:

- (a) Infinites Technology (Cayman) Holding Limited, a limited liability company duly incorporated and validly existing under the laws of the Cayman Islands (the “**Target Company**” or “**Infinites Technology**”); and
- (b) Renren Inc., a limited liability company duly incorporated and validly existing under the laws of the Cayman Islands (the “**Subscriber**” or “**Renren**”), the stocks of which are currently listed in the New York Stock Exchange (ticker symbol: RENN).

The Target Company and all other companies directly or indirectly held by it or controlled by it through VIE agreements hereinafter are collectively referred to as the “**Infinites Group**.” Renren and all other companies directly or indirectly held by it or controlled by it through VIE agreements hereinafter are collectively referred to as the “**Renren Group**.” The Target Company and the Subscriber shall individually be referred to as a “**Party**”, together as the “**Parties**”, and shall refer to each other as the other Party. Unless otherwise agreed, the defined terms of the Agreement are set forth in Schedule 1.

RECITALS

WHEREAS the Subscriber intends to subscribe for the shares to be issued by the Target Company, while the Target Company intends to issue certain shares to the Subscriber (the “**Subscription of Shares**”), in accordance with the terms and conditions agreed herein. Upon consultations, the Parties hereby enter into the agreements as follows:

1. Subscription of Shares

1.1 Sale and Issue of Shares to be Subscribed, and Closing Account

(a) Purchase Price

In accordance with the terms and conditions of the Agreement, at the Closing (as defined below) the Subscriber agrees to subscribe and purchase from the Target Company, and the Target Company agrees to, subject to the shareholding percentage agreed in Section 1.2, sell and issue to the Subscriber certain shares (the “**Target Shares**”), in consideration of the transaction price of Renren.com and all relevant assets under the Assets Purchase Agreement (the “**APA**”) attached hereto as Schedule 2 deducting by US\$20,000,000 (or equivalent RMB) (the “**Consideration**”);

- (b) Closing Account. The Subscriber shall pay the Consideration to the Target Company by transfer of immediately available funds to the bank account of the Target Company (the “**Closing Account**”). The details of the Closing Account are as follows:

Bank Name	Bank of Beijing Zhongguancun Haidianyuan Branch
Account Name	Infinites Technology (Cayman) Holding Limited
Account No.	NRA00038637300024813384

1.2 Shareholding Percentage

Pursuant to the current reorganization arrangement of the Target Company, immediately upon the Closing the Subscriber will hold 5.4054% shares in the Target Company. For the avoidance of doubt, if prior to the date of the Closing the shareholding structure of the Target Company is changed resulting from any financing activities with the consent of the Subscriber, the shareholding percentage of the Subscriber shall be adjusted accordingly.

1.3 Rights of Shares

The Target Company warrants that the Target Shares shall have the same rights and shall fall within the same class as the shares held by the investors of the last financing round of the Target Company prior to the execution hereof.

1.4 Closing

- (a) The sale and purchase of the Target Shares will take place on the date designated by the Parties by remote exchange of documents, or on such other dates and at such other places as agreed by the Target Company and the Subscriber, provided however that the Closing shall take place no later than the date falling 3 months after the execution hereof or on any such other date as agreed by the Target Company and the Subscriber or as agreed otherwise herein.
- (b) The Target Company shall through “VIE structure” control and actually hold 100% economic interests in Beijing Infinites Interactive Media Co., Ltd. (“**Infinites Media**”), and shall comply with all applicable Laws, including but not limited to completion of relevant registration and filing under the foreign exchange control laws of PRC by the PRC shareholders that directly or indirectly hold shares in the Target Company (the “**VIE Structuring**”). All the assets and businesses under the APA (as shown in the list of assets attached to the APA) shall only be taken over and held by Beijing Infinites Interactive Media Co., Ltd. unless otherwise agreed by the Parties. If the VIE Structuring fails to be completed within 6 months from the date hereof or by the time otherwise agreed by the Parties, the Subscriber or its designated Affiliates shall be entitled to directly hold the shares in Beijing Infinites Interactive Media Co., Ltd., and the fair value of such shares shall equal the Consideration. The relevant parties may then agree in writing in relation to the details of the matters agreed in this subsection (b).

1.5 Steps

(a) Delivery at Closing

- (1) At the Closing, the Target Company shall deliver to the Subscriber (i) a copy of the updated register of members indicating the Subscriber as the holder of the Target Shares, which copy shall be certified by the registered agent of the Target Company; (ii) the duly issued share certificate, setting forth the name of and the Target Shares held by the Subscriber; and (iii) written evidence proving that the conditions precedent to the Subscriber's performance of its obligations at the Closing as set forth in Section 2 hereof have been satisfied or waived.
- (2) At the Closing, the Subscriber shall deliver to the Target Company (i) evidence of payment of the Consideration by transferring the same into the Closing Account of the Target Company; and (ii) written evidence proving that the conditions precedent to the Target Company's performance of its obligations at the Closing as set forth in Section 3 hereof have been satisfied or waived.

2. Conditions Precedent to the Subscriber's Performance of Obligations at the Closing

The Subscriber's obligations to purchase the Targets Shares at the Closing shall be subject to the satisfaction of the following conditions at or prior to the Closing, unless otherwise waived by the Subscriber in writing:

2.1 Internal Approvals by Infinities Group

The Infinities Group has obtained all necessary internal approvals in order to approve the Transaction Documents and the transactions contemplated thereunder, including without limitation, necessary board resolution/executive director's decision and shareholder resolution/decision have been passed by the Target Company approving the subscription of shares hereunder, and necessary board and shareholder decisions have been passed by Infinities Media approving the assets transfer under the APA.

2.2 Due Execution of the Transaction Documents

Each of the parties to the Transaction Documents shall have executed and delivered the Transaction Documents, including but not limited to the Agreement and the APA.

2.3 No APA Adverse Event

Prior to the date of the Closing, there is no APA Adverse Event as defined in Schedule 1 attached hereto.

2.4 Representations, Warranties and No Material Adverse Effect

All the representations and warranties given by the Target Company in Schedule 3 attached hereto shall at the date hereof and the date of the Closing be true, accurate and complete, and there shall be no Material Adverse Effect event that will make it impossible to realize the intent hereof.

2.5 Disclosure

As of the date of the Closing, the Target Company shall have fully disclosed to the Subscriber all the information required for the Subscriber to decide whether to subscribe for the shares, and all the information that the Target Company believes is necessary for the Subscriber to make such a decision. No representations or warranties given by the Target Company herein or information provided by the Target Company in relation the Agreement or any agreements contemplated herein shall contain any misrepresentation in connection with any material facts, nor shall it omit any material facts that shall be or that are necessary to be stated under the circumstance in order to avoid misleading.

3. Conditions Precedent to the Target Company's Performance of Obligations at the Closing

The Target Company's performance of its obligations to sell to the Subscriber the Targets Shares at the Closing shall be subject to the satisfaction of the following conditions at or prior to the Closing, unless otherwise waived by the Target Company in writing:

3.1 Internal Approvals by Renren Group

The Renren Group has obtained all necessary internal approvals in order to approve the Transaction Documents and the transactions contemplated thereunder, including without limitation, necessary board and shareholder decisions have been passed by the Subscriber approving the subscription of shares hereunder, and necessary board resolution/executive director's decision and shareholder resolution/decision have been passed by Beijing Qianxiang Wangjing Technology Development Co., Ltd. ("**Qianxiang Wangjing**") approving the assets transfer under the APA.

3.2 Due Execution of the Transaction Documents

Each of the parties to the Transaction Documents shall have executed and delivered the Transaction Documents, including but not limited to the Agreement and the APA.

3.3 No APA Adverse Event

Prior to the date of the Closing, there is no APA Adverse Event as defined in Schedule 1 attached hereto.

3.4 Representations, Warranties and No Material Adverse Effect

All the representations and warranties given by the Subscriber in Schedule 3 attached hereto shall at the date hereof and the date of the Closing be true, accurate and complete, and there shall be no Material Adverse Effect event that will make it impossible to realize the intent hereof.

4. Mechanism to Guarantee Valuation

The Parties agree that if the valuation of the Target Company fails to reach US\$700 million at next financing round after the Closing or at its initial public offering (IPO), the Subscriber will be compensated by certain shares. The amount of such shares will equal the result of (i) US\$40 million, *divided* by (ii) the price of each share corresponding to the new valuation of the Target Company, then *less* (iii) the Target Shares acquired by the Subscriber in the Subscription of Shares. In case of capitalization of capital reserve, distribution of dividends, share split, allotment of shares or reverse stock split by the Target Company, the price of each share corresponding to the new valuation of the Target Company as mentioned above shall be adjusted accordingly.

5. Miscellaneous

5.1 Effect of Agreement

The Agreement shall become effective from the date of execution by the Parties and approval of the Agreement by the shareholder resolutions (or approval by internal competent bodies, if no shareholder resolution is required for the execution hereof in accordance with applicable Laws or corporate governess) of both the Target Company and the Subscriber. If the Closing fails to take place at the expiry of 6 months after the execution hereof, either Party may terminate the Agreement; *provided, however*, that such failure of the Closing shall not be attributable to this Party.

5.2 Confidentiality

- (a) Disclosure of terms of the agreement: Any terms and term sheet of the Agreement in connection with this transaction or the terms and content of the memorandum of understanding, all schedules to the Agreement, and the transaction contemplated hereunder (collectively "Transaction Terms"), and the existence of Transaction Terms shall be treated as confidential information and shall not be disclosed by any Party to any third party except for those listed in the following subsections.
- (b) Authorized disclosure of information. Notwithstanding the foregoing, either Party may disclose the Transaction Terms to its current shareholders, employees, bankers, borrowers, accountants and legal counsels, and the foregoing individuals shall have the confidentiality obligations that are substantially the same as provided in this section; or disclosure may be made with the written consent of the other Party, which consent has not been revoked. In addition, subject to the satisfaction of Section 5.2(c), either Party may also disclose information in accordance with applicable and governing Laws.

- (c) Mandatory disclosure. If either Party is requested or required mandatorily by law (including but not limited to any tax, securities or other laws and regulations in any jurisdiction that can be invoked) to disclose the existence of the Agreement or the content of any Transaction Terms, this Party (the “**Disclosing Party**”) is exempt from the foregoing confidentiality obligations.
- (d) Other exceptions: the confidentiality obligations shall not extend to the information that (i) has been obtained by the restricted Party from a third party that has right to disclose such information, and such third party has complied with relevant restrictive provisions; (ii) has been legally possessed by the restricted Party before it is provided to the restricted Party; or (iii) has entered into public domain without breaching the confidentiality obligations on the part of the restricted Party.

5.3 Assignment; Succession and Delegation

Unless otherwise provided, the terms of the Agreement shall be binding upon the successors and permitted assignees of the Parties. Unless expressly provided herein, no term of the Agreement shall expressly or impliedly confer to any party other than the Parties, or their respective successors any rights, remedies, obligations or liabilities under or based on the Agreement.

5.4 Applicable Law

This Agreement shall be governed by and construed in accordance with the substantive Laws of HK.

5.5 Headings and Sub-headings

The headings and sub-headings used herein shall be for convenience only and shall not be deemed as the interpretation or explanation of the Agreement.

5.6 Notice

All notices or any other forms of communications made under or in accordance with the Agreement shall be made in writing, addressed according to the notice information as set forth in Schedule 4 attached hereto, and shall be deemed given: (a) if by personal delivery, when the Agreement is placed at the party to be notified; (b) if by fax, when the confirmation of transmission is received if sent in the normal working hours of the recipient, or the next Working Day if not sent in the normal working hours of the recipient; (c) if by pre-paid and receipt required registered mail or guaranteed mail, the fifth (5th) day after posting; or (d) if by a nationally recognized overnight courier and expressly indicated delivery on the next day as evidenced by written receipt, one (1) day after given to the courier. Any communications shall be sent to the addresses of the contracting parties set forth in Schedule 5 or the fax numbers or addresses as changed in writing in accordance with Section 5.7.

5.7 Expenses

Unless otherwise agreed herein, each of the Parties will be responsible for the costs and expenses in relation to the transaction hereunder (including but not limited to the negotiation, preparation, execution, delivery and performance of the Agreement and any taxes resulting from such transaction).

5.8 Legal Fees

If it is necessary to take any action at law or equity (including arbitration) for the performance or interpretation of any Transaction Documents, the winning party is entitled to claim reasonable attorney's fees, costs and necessary expenditures in addition to any possible remedies available to it.

5.9 Amendment and Waiver

The terms hereunder shall be amended or waived only with the written consent of the Parties. Any amendment or waiver implemented in accordance with Section 5.10 hereof shall be binding upon the Parties and any assignees of their respective rights and obligations.

5.10 Severability

The invalidity, illegality or unenforceability of any term hereof shall not affect the validity, legality and enforceability of other terms. However, if any term of the Agreement is found invalid, illegal or unenforceable in any jurisdiction under the applicable Laws, such term shall be amended to the minimum extent required by the Laws in such jurisdiction, or if it is impossible to make such amendments, the invalidity, illegality or unenforceability of such term shall not affect the effect of other terms hereof or the validity, legality and enforceability of this term in other jurisdictions.

5.11 Entire Agreement

This Agreement (including its Schedules attached hereto), the amended and restated articles of association and other Transaction Documents constitute the entire and complete understandings and agreements between the Parties in relation to the subject matter hereof, and any other written or oral contracts between the Parties in relation to the subject matters hereof are expressly deemed void.

5.12 Dispute Resolution

- (a) Any dispute, controversy or claim in relation to the Agreement or the interpretation, breach, termination or validity hereof shall first be resolved by relevant parties to such dispute, controversy or claim through consultations. Such consultations shall commence within seven (7) days from the written request for such consultations given by one Party to the other Party. If such dispute fails to be resolved within thirty (30) days after commencement of such consultations, upon request of one Party and with notice to the other Party, such dispute shall be submitted to arbitration.

- (b) Arbitration shall be administered by China International Economic and Trade Arbitration Commission in Beijing in accordance with its arbitration rules then in effect.
- (c) The Parties shall cooperate with each other in respect of, fully disclose and give full access to the information or documents requested by other Party and in relation to the arbitration proceeding, provided that such cooperation shall only be subject to any binding confidentiality obligations of the Parties receiving such request.
- (d) The award of the arbitration tribunal shall be final and binding upon the Parties to such dispute. Any Party thereto has right to apply to a court with competent authority to enforce such award.
- (e) To the extent possible, prior to the formation of arbitration tribunal, any Party to such dispute may apply to any competent court for a preliminary injunction relief.

5.13 Cumulative Rights

In the event of breach, any or all rights, powers and remedies of one Party shall be deemed cumulative with any other rights, powers and remedies available to this Party at law or equity. The exercise or partial exercise of any rights, powers or remedies shall not exclude the exercise of other rights, powers or remedies, nor shall the Party be deemed to have waived any other rights, powers or remedies exercisable. Without prejudice to the foregoing, the Parties hereto acknowledge and agree that irreparable damage may occur which cannot be fully indemnified by monetary compensation if any specific term of the Agreement fails to be performed or if any other forms of breaches take place. Therefore, the Parties mutually agree that the Parties have right to prevent breach by way of injunction and demand enforcement of the specific terms and provisions of the Agreement.

5.14 No Waiver

The failure to insist strict compliance with any terms, provisions or conditions of the Agreement will not be deemed a waiver of such terms, provisions or conditions. One single or several waiver or discharge of or failure to strictly abide by any rights, powers or remedies hereunder shall be deemed waiver of such powers, rights or remedies at any other time.

5.15 No Presumption

The Parties hereto acknowledge and confirm that if any applicable Laws provide that any disputable or ambiguous terms of the Agreement shall be interpreted against the Party who drafted it, such provision shall not be applied and the Parties hereby expressly waive the application of such provision. If a Party makes any claim with respect to any conflict, omission or ambiguity of any term hereof, no Party shall be presumed to have the burden of proof simply because the Agreement is drafted by or in accordance with the requirements of a Party or its legal counsel.

5.16 Reliance

The Subscriber acknowledges and confirms that it does not rely on any other Person, company or legal person other than the Target Company and its employees and director when it invests or decides to invest in the Target Company.

5.17 Termination of the Agreement

(a) The Agreement may be terminated in the event of the following prior to the Closing:

- (1) termination in accordance with Section 5.1 hereof;
- (2) termination upon mutual written consent of the Parties hereto;
- (3) if either Party materially breaches or violates any representations or warranties, undertakings or agreements hereunder or any other Transaction Documents, and fails to remedy the same within thirty (30) Working Days upon written notice to the defaulting party by the non-defaulting party, or it is impossible to remedy the same, termination by the non-defaulting party;
- (4) in case of any event, circumstance or change, and such event, circumstance or change individually or jointly with other one or more events, circumstances or changes will have or may be reasonable expected to have Material Adverse Effect, termination by a Party hereto; or
- (5) there is any APA Adverse Event as defined in Schedule 1 attached hereto.

(b) Effect of Termination

The date when the Agreement is terminated in accordance with Section 5.17(a) shall be referred to as the "Date of Termination." The Target Company and/or the Subscriber shall give immediate written notice to the other Party when terminating the Agreement in accordance with Section 5.17(a), in which case the Agreement shall be terminated and the purchase of the shares to be subscribed hereunder shall be cancelled or revoked without any further action of the Parties hereto. After the Date of Termination, the liabilities and obligations of the Parties hereunder shall be discharged and terminated without any liability on the part of the Target Company or the Subscriber, provided however that such termination shall not exempt any Party from its liability for breach hereunder. The provision of Section 5 hereof shall survive the termination hereof.

- (c) The parties agree that the closing of the APA is an important precondition to the performance hereof by the parties hereto. In any event and regardless of whether the Agreement is closed or not, the Target Company has right to terminate the Agreement and demand the Subscriber to return the Target Shares (including any accrued interests or and any interests generated and derived therefrom) if there is any APA Adverse Event as defined in Schedule 1 attached hereto, where the Target Company will refund the Consideration to the Subscriber accordingly. If the Target Company cannot terminate the Agreement or demand the Subscriber to return the Target Shares (including any accrued interests and any interests generated and derived therefrom) pursuant to applicable Laws or for any other reasons, the Target Company has right to repurchase such shares (including any accrued interests and any interests generated and derived therefrom) from the Subscriber at the same amount of the Consideration, when the Subscriber shall unconditionally provide cooperation in relation to such repurchase. For the avoidance of doubt, after the closing date agreed in the APA, the Parties shall take initiative to procure the handling of formalities in relation to the APA and the closing of the Agreement, and shall not unilaterally terminate the Agreement unless with consent of the other Party or as otherwise agreed herein.

5.18 Assets Purchase Agreement

If the intent of the Agreement cannot be fulfilled as a result of any material breach or violation by a Party of any representations or warranties, undertakings or agreements hereunder or other Transaction Documents, the purchaser (in case of any such breach or violation by Renren)/seller (in case of any such breach or violation by Infinities Technology) of the APA has right to terminate the APA, when the Parties hereto shall procure relevant companies within its group to refund to the other party of the APA or its designated Affiliates the assets and consideration received based on the APA, and shall be liable for any loss incurred by a Party hereto or a party to the APA in accordance with the Agreement and the APA.

5.19 Exchange Rate

The exchange rate hereunder shall be the central parity rate of US\$ against RMB as announced by the People's Bank of China on the date of payment.

5.20 Language

This Agreement is written both in Chinese and English. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

5.20 Originals

This Agreement is made in four originals with equal legal effect. Each Party shall hold two originals.

[Signature Page to Follow]

IN WITNESS WHEREOF, this Share Subscription Agreement has been duly executed by the Parties hereto on the date first written above.

TARGET COMPANY:

INFINITIES TECHNOLOGY (CAYMAN) HOLDING LIMITED

By:

Name:

Title:

Signature Page to Share Subscription Agreement

IN WITNESS WHEREOF, this Share Subscription Agreement has been duly executed by the Parties hereto on the date first written above.

SUBSCRIBER:

RENREN INC.

By:
Name: James Liu
Title: COO

Signature Page to Share Subscription Agreement

Schedules

Schedule 1	Definitions
Schedule 2	Assets Purchase Agreement
Schedule 3	Representations and Warranties of the Parties
Schedule 4	Notice Information

Schedules

Schedule 1

Definitions

“**Affiliate**” means, in relation to any given person, any other person which, directly or indirectly through one or more intermediary agencies, controls, is controlled by or is under the common control of the first mentioned person.

“**Working Day**” means any day other than a Saturday or Sunday or other days that banks will be closed for business as required or authorized by Laws of the PRC, HK or the British Virgin Islands.

“**Execution Date**” means the date on which the Agreement is executed.

“**HK**” means Hong Kong Special Administrative Region of the PRC.

“**Law**” means any constitutional provisions, regulations or other laws, rules, decrees, official policies or interpretations of any government agencies, and any injunctions, judgments, orders, rulings, assessments or writs issued by any government authorities.

“**Material Adverse Effect**” means (1) any facts, events, changes, circumstances or consequences which individually or jointly with each other will have or reasonably possibly will have material adverse effect on the operations, operation results, conditions (financial or otherwise), assets, liabilities, prospects or businesses (currently and proposed to be carried out) of any group company, or on the capability of any group company to perform its obligations under the Transaction Documents, or on the enforceability of the Transaction Documents against any group company, (2) any material impairment to the capacity of any contracting party to perform its obligations under the Transaction Documents, or (3) any material damage to the effectiveness or enforceability hereof or any other Transaction Documents against any of the contracting parties hereto or thereto.

“**APA Adverse Event**” means any circumstance when the APA will be cancelled in accordance with the provisions thereof or the transaction contemplated thereunder fails to be completed as agreed therein.

“**Person**” means any person, partnership, firm, joint stock company, limited liability company, association, trust, unincorporated organization or other entities.

“**PRC**” means the People’s Republic of China, only for the purpose of the Transaction Document, excluding the HK and Macao Special Administrative Regions and Taiwan.

“**RMB**” means the legal currency of the PRC.

“**SA**” means the shareholders’ agreement in the form of Annex B attached hereto that is intended to be made by and among the company, founders, original shareholders and the Subscriber.

“**Transaction Documents**” mean the Agreement, APA and the amended and restated articles of association.

“**US\$**” means the legal currency of the United States of America.

Schedule 2

Assets Purchase Agreement

Schedule 2

Schedule 3

Representations and Warranties of the Parties

At the date hereof and at the date of the Closing, one Party hereof for the benefit of the other Party makes the following representations and warranties:

1. **Organization.** It is a company legally incorporated and validly existing under the applicable Laws, and has full power and authority to perform its obligations hereunder and any ancillary documents that may be executed pursuant to the terms the Agreement.

2. **Authorization and Enforceability.** In addition to the internal approvals and external approvals, authorizations, filings and registrations to be obtained as agreed by the Agreement in connection with the conditions precedent to the Closing, it has all necessary rights, powers and authorities to enter into, execute, deliver and perform the Agreement and any other documents required for the performance hereof. The Agreement and any such other documents will constitute legal, valid, binding and enforceable agreements when they become effective.

3. **No Illegality or Breach.** Its execution, delivery and performance hereof will not contradict with or result in violation of any of the following, nor will it constitute a breach of (or result in the exercise of any termination rights in accordance with the provisions thereof) or contradiction with any of the following:

(1) its business license, articles of association or other constitutional documents;

(2) any contracts to which it is a party; or

(3) any applicable Laws, or any judgments, orders, rulings or decrees issued by any court, other tribunal, government or government agencies, departments, committees or other organizations or agencies (hereinafter "Government Authority") that has jurisdiction over it or any assets owned by it.

4. **Performance of the APA.** The representations and warranties made by its subsidiary (for the avoidance of doubt, with respect to the Target Company, means Infinities Media, and with respect to the Subscriber, means Qianxiang Wangjing) under the APA shall be true, accurate, complete, enforceable and binding. It will, with its full rights and capacity, procure its subsidiary to perform all the obligations under the APA, and will be jointly and severally liable for any liabilities of its subsidiary under the APA.

Schedule 3

Schedule 4

Notice Information

If to the Target Company:

Address: Infinites Media Center, Baosheng East Road, Haidai District, Beijing
Attention: Chen Ying
Telephone: 010-60845018
Fax: 010-60845018

If to the Subscriber:

Address: 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing
Attention: Ren Jintao
Telephone: (86 10) 84481818
Fax: (86 10) 51085666

Schedule 4

Subsidiaries of the Registrant

Subsidiaries:	Place of Incorporation
CIAC/ChinaInterActiveCorp	Cayman Islands
Renren Gentle Height Co., Ltd.	Hong Kong
Qianxiang Shiji Technology Development (Beijing) Co., Ltd.	PRC
Link224 Inc.	Cayman Islands
Renren Game Hong Kong Limited	Hong Kong
Juyou Hudong (Beijing) Technology Development Co., Ltd.	PRC
Kaixin Auto Holdings	Cayman Islands
Renren Gongying Inc.	Cayman Islands
Renren LSTAR Holdings Inc.	Cayman Islands
Renren ZHCH Holdings Inc.	Cayman Islands
Renren KURY Holdings Inc.	Cayman Islands
Renren PLML Holdings Inc.	Cayman Islands
Renren BLCR Holdings Inc.	Cayman Islands
Renren ONER Holdings Inc.	Cayman Islands
Renren CRSP Holdings Inc.	Cayman Islands
Wole Inc.	Cayman Islands
Beijing Woxiu Information Technology Co., Ltd.	PRC
JiehunChina Inc.	Cayman Islands
Jet Sound Hong Kong Company Limited	Hong Kong
Beijing Jiexun Shiji Technology Development Co., Ltd.	PRC
Renren Giantly Limited	Hong Kong
Chime Technologies, Inc.	USA
Renren Huijin (Tianjin) Technology Co., Ltd.	PRC
Renren Winday Company Limited	Hong Kong
Renren Finance, Inc.	Cayman Islands
Shanghai Renren Finance Leasing Co., Ltd.	PRC
Beijing Renren Zhenhan Technology Development Co., Ltd.	PRC
Shanghai Renren Automobile Technology Group Co., Ltd.	PRC
Shanghai Zhoushuo Automobile Technology Co., Ltd.	PRC
Jinan Zhoushuo Yidong Automobile Trade Co., Ltd.	PRC
Suzhou Zhoushuo Lujie Automobile Service Co., Ltd.	PRC
Shanghai Jiexun Automobile Sales Co., Ltd.	PRC
Shanghai Lingcong Internet Information Technology Co., Ltd.	PRC
Shanghai Lingding Automobile Technology Co., Ltd.	PRC
Shanghai Dingran Information Technology Co., Ltd.	PRC
Renren Giantly Philippines Inc.	The Philippines
Renren U.S. Holdco, Inc.	USA
Trucker Path Inc.	USA
Geographic Farming LLC	USA
Sindeo, Inc.	USA
Fenqi Winday Co., Ltd	Hong Kong
Shandong Jiaying Huaqi Automobile Service Co., Ltd.	PRC
Suzhou Jiaying Ruifeng Auto Retail Co., Ltd.	PRC
Lofty US, Inc.	USA

	Place of Incorporation
Variable Interest Entities:	
Beijing Qianxiang Tiancheng Technology Development Co., Ltd.	PRC
Guangzhou Xiuxuan Brokers Co., Ltd.	PRC
Shanghai Jieying Automobile Sales Co., Ltd.	PRC
Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd.	PRC
Subsidiaries of Variable Interest Entities:	
Beijing Qianxiang Wangjing Technology Development Co., Ltd.	PRC
Beijing Renren Zhencai Technology Development Co., Ltd.	PRC
Beijing Wole Shijie Information Technology Co., Ltd.	PRC
Shanghai Wangjing Commercial Factoring Co., Ltd.	PRC
Beijing Kirin Wings Information Technology Co., Ltd.	PRC
Beijing Jingwei Zhihui Information Technology Co., Ltd.	PRC
Shanghai Wangjing Investment Management Co., Ltd.	PRC
Shanghai Mumian Hudong Internet Information Service Co., Ltd.	PRC
Shanghai Heiguo Internet Information Technology Co., Ltd.	PRC
Guangzhou Qunge Information Technology Co., Ltd.	PRC
Shanghai Chenxun Asset Management Co., Ltd.	PRC
Jieying Baolufeng Automobile Sales (Shenyang) Co., Ltd.	PRC
Chongqing Jieying Shangyue Automobile Brokers Co., Ltd.	PRC
Jiangsu Jieying Ruineng Automobile Co., Ltd.	PRC
Dalian Yiche Jieying Automobile Sales Co., Ltd.	PRC
Shandong Jieying Huaqi Automobile Service Co., Ltd.	PRC
Henan Jieying Hengxin Automobile Sales Co., Ltd.	PRC
Neimenggu Jieying Kaihang Automobile Sales Co., Ltd.	PRC
Suzhou Jieying Chemaishi Automobile Sales Co., Ltd.	PRC
Hangzhou Jieying Yifeng Automobile Sales Co., Ltd.	PRC
Jilin Province Jieying Taocheguan Automobile Sales Co., Ltd.	PRC
Cangzhou City Jieying Bole Automobile Sales Co., Ltd.	PRC
Ningxia Jieying Xianzhi Automobile Sales Co., Ltd.	PRC
Shanghai Jieying Diyi Automobile Sales Co., Ltd.	PRC
Wuhan Jieying Chimei Automobile Service Co., Ltd.	PRC
Shanxi Jieying Weilan Auto Retail Service Co., Ltd.	PRC
Hangzhou Heche Auto Retail Co., Ltd.	PRC
Changchun Heche Auto Retail Co., Ltd.	PRC
Wuhan Baojia Chicheng Auto Retail Co., Ltd.	PRC
Wuhan Jiarui Chixiang Auto Retail Co., Ltd.	PRC
Wuhan Kaixin Youche Auto Service Co., Ltd.	PRC
Wuhan Chicheng Jiayun Auto Service Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph Chen, certify that:

1. I have reviewed this annual report on Form 20-F of Renren Inc.;
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 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: May 15, 2019
By: /s/ Joseph Chen
Name: Joseph Chen
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Thomas Jintao Ren, certify that:

1. I have reviewed this annual report on Form 20-F of Renren Inc.;
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 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: May 15, 2019
By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Renren Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Chen, 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: May 15, 2019

By: /s/ Joseph Chen

Name: Joseph Chen

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Renren Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Jintao Ren, Chief Financial 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: May 15, 2019

By: /s/ Thomas Jintao Ren

Name: Thomas Jintao Ren

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-177366, No. 333-209734 and No. 333-227886 on Form S-8 of our report dated May 15, 2019, relating to the financial statements of Renren Inc., its subsidiaries, its variable interest entities and the subsidiaries of its variable interest entities, appearing in the Annual Report on Form 20-F of Renren Inc. for the year ended December 31, 2018.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 15, 2019



TransAsia Lawyers

Advisors on PRC & International Law

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Website: www.TransAsiaLawyers.com

May 15, 2019

Renren Inc.
5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

Ladies and Gentlemen,

We consent to the reference to our firm under the captions of “Item 3.D. Risk Factors”, “Item 4.B—Business Overview—Regulation” and “Item 10.E—Taxation” in Renren Inc.’s Annual Report on Form 20-F for the year ended December 31, 2018, which will be filed with the Securities and Exchange Commission in the month of May 2018, and further consent to the incorporation by reference of the summaries of our opinions under these captions into Renren Inc.’s registration statements on Form S-8 (File No. 333-177366, File No. 333-209734 and File No. 333-227886) that were filed on October 18, 2011, February 26, 2016 and October 19, 2018, respectively.

Yours faithfully,

/s/ TransAsia Lawyers

TransAsia Lawyers

Our ref VSL/667469-000001/12750583v1
Direct tel +852 3690 7513
E-mail vivian.lee@maples.com

Renren Inc.
5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

15 May 2019

Dear Sir

Re: Renren Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to Renren Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission of an annual report on Form 20-F for the year ended 31 December 2018.

We hereby consent to the reference of our name under the heading "Item 10E Taxation" in the Form 20-F and further consent to the incorporation by reference of the summary of our opinion under this heading into the Company's registration statements on Form S-8 (File No. 333-177366, File No. 333-209734 and File No. 333-227886) that were filed on 18 October 2011, 26 February 2016 and 19 October 2018, respectively.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP
