易鑫集团
YIXIN GROUP

易鑫集团有限公司
Yixin Group Limited

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "Yixin Automotive Technology Group Limited")

Stock Code: 2858

ANNUAL REPORT 2019

易鑫集团
YIXIN GROUP
www.yixincars.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Andy Xuan Zhang *(Chairman and Chief Executive Officer)*
Mr. Dong Jiang *(President)*

Non-executive Directors

Mr. James Gordon Mitchell
Mr. Jimmy Chi Ming Lai
Mr. Chenkai Ling
Mr. Huan Zhou

Independent Non-executive Directors

Mr. Tin Fan Yuen
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

AUDIT COMMITTEE

Mr. Chester Tun Ho Kwok *(Chairman)*
Mr. Tin Fan Yuen
Ms. Lily Li Dong

REMUNERATION COMMITTEE

Mr. Tin Fan Yuen *(Chairman)*
Mr. Andy Xuan Zhang
Ms. Lily Li Dong

NOMINATION COMMITTEE

Mr. Andy Xuan Zhang *(Chairman)*
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

COMPANY SECRETARY

Mr. Man Wah Cheng

AUTHORISED REPRESENTATIVES

Mr. Andy Xuan Zhang
Mr. Man Wah Cheng

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
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Wanchai, Hong Kong

PRINCIPAL BANKER

Bank of China
Bank of Communications
China Construction Bank
The Hongkong and Shanghai Banking
Corporation Limited

COMPANY WEBSITE

www.yixincars.com

STOCK CODE

2858

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our annual results announcement for the year ended December 31, 2019. Amid continuous soft passenger vehicle sales in China, we were still able to maintain healthy growth across our businesses in 2019.

2019 was another tough year for China's auto market with soft passenger vehicle sales. In 2019, China's total sales of new and used passenger vehicle decreased by 4% year-on-year, according to data from China Association of Automobile Manufacturers ("**CAAM**") and China Automobile Dealers Association ("**CADA**"), while our total financed transactions increased by 8% year-on-year to approximately 522 thousand for the year ended December 31, 2019 and the aggregate financing amount we facilitated through our loan facilitation services and our self-operated financing business was approximately RMB40 billion, representing a year-on-year increase of 5%.

In 2019, our total financed automobile transactions, including new and used, once again outpaced the industry growth rate and has achieved consecutive year-on-year growth since we started our business in 2015. For the year ended December 31, 2019, our financed new automobile transactions increased by 17% year-on-year to approximately 319 thousand and our financed used automobile transactions decreased by 4% year-on-year to approximately 203 thousand. Our financed new and used automobile transactions contributed 61% and 39% of total financed transactions in 2019, respectively, compared to 56% and 44% in 2018, respectively.

In 2019, we continued to strategically focus on loan facilitation services. For the year ended December 31, 2019, we worked with 12 banks and financial institutions as our loan facilitation partners and facilitated approximately 347 thousand financed transactions through loan facilitation services, representing a year-on-year increase of 141%. Our transactions through loan facilitation services contributed 66%, 49%, 73%, and 82% in the first quarter, second quarter, third quarter, and fourth quarter in 2019, respectively; and in aggregate contributed 66% of the total financed transactions in 2019, compared to 30% in 2018.

Our revenues for the year ended December 31, 2019 increased by 5% year-on-year to RMB5,800 million, mainly due to the increase in loan facilitation services. Our new core services revenues, which include revenues from loan facilitation transactions and new self-operated financing lease transactions we facilitated during the year, increased by 21% to RMB2,519 million. Our revenues from loan facilitation services increased by 210% year-on-year to RMB1,668 million for the year ended December 31, 2019. The revenues from self-operated financing lease services decreased by 8% year-on-year to RMB3,755 million for the year ended December 31, 2019.

Our total gross profit increased by 12% year-on-year to RMB2,766 million for the year ended December 31, 2019, mainly due to the increase in total revenues. Our overall gross profit margin increased to 48% for the year ended December 31, 2019, compared to 45% for the year ended December 31, 2018, mainly due to the increased contribution of loan facilitation services in the revenue mix resulted from the rapid growth of this business.

In 2019, we saw healthy improvement in profitability mainly attributable to our strategy shift, as well as increases in business scalability and operational efficiency. Our adjusted operating profit increased by 40% year-on-year to RMB458 million and our adjusted net profit increased by 27% year-on-year to RMB439 million for the year ended December 31, 2019.

Our operating profit amounted to RMB50 million in 2019, compared to an operating loss of RMB184 million in 2018, and our net profit totalled RMB31 million, compared to a net loss of RMB167 million in 2018. The increases were primarily due to the increase in gross profit and the decrease in operating expenses benefited from increased business scale and operating efficiency.

In 2019, while Yixin maintained healthy growth and further solidified our leadership by leveraging our leadership advantages and trackable credibility, we also experienced certain challenges, especially in the second half of the year. Various local governments started to implement much stricter rules and guidance on delinquent consumer accounts' payment collection. In order to better comply with these new rules and guidance, we use litigations as our primary method of collection. Since litigations take longer processing time, and both our delinquency ratio and provision were pushed up accordingly for the year ended December 31, 2019.

The year 2020 came with the outbreak of novel coronavirus, which is believed to have significant impact on China's economy affecting most industries. While the whole nation is fighting hard to win the combat at this moment, we have to admit that there will be more challenges ahead of us in this 2020, such as reduced consumption capabilities and greater pressure on the sales of China's auto market. However, it is our belief that Yixin will continue utilizing our resources to provide better financing products and services to our customers and partners and further strengthen our ecosystem along the automobile transaction value chain so as to create greater value for the Group and the shareholders of the Company ("**Shareholders**"). We also believe that by going through such challenges and the market consolidation, Yixin will be able to further prove itself to be better positioned with solidified market leadership and advance competitive advantages.

APPRECIATION

On behalf of the Group, I would like to take this opportunity to express our sincere gratitude to our consumers and business partners. I would also like to thank our dedicated employees and management team for their commitment, diligence, integrity, and professionalism. I am also thankful for the continued support and trust from our Shareholders and stakeholders. We will continue to build on our capabilities and strengthen our ecosystem to provide consumers with better financed transaction experience.

Andy Xuan Zhang
Chairman
Hong Kong
March 26, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2019 COMPARED TO YEAR ENDED DECEMBER 31, 2018

The following table sets forth the comparative figures for the years ended December 31, 2019 and 2018.

	Year ended December 31,		
	2019	2018	Year-on-year
	RMB'000	*RMB'000*	*%*
Revenues	**5,799,982**	5,532,632	5%
Cost of revenues	**(3,033,524)**	(3,057,209)	-1%
Gross profit	**2,766,458**	2,475,423	12%
Selling and marketing expenses	**(1,062,021)**	(1,099,325)	-3%
Administrative expenses	**(505,968)**	(763,125)	-34%
Research and development expenses	**(195,689)**	(239,460)	-18%
Net impairment losses on financial assets	**(1,107,526)**	(669,040)	66%
Other gains, net	**154,516**	111,703	38%
Operating profit/(loss)	**49,770**	(183,824)	N/A
Finance income, net	**28,133**	27,566	2%
Share of (loss)/profit of an investment accounted for using the equity method	**(1,887)**	1,382	N/A
Profit/(loss) before income tax	**76,016**	(154,876)	N/A
Income tax expense	**(45,080)**	(11,704)	285%
Profit/(loss) for the year	**30,936**	(166,580)	N/A
Non-IFRSs measures (unaudited)			
Adjusted operating profit	**458,449**	327,836	40%
Adjusted net profit	**439,452**	344,716	27%

REVENUES

Our total revenues increased by 5% to RMB5,800 million for the year ended December 31, 2019, compared to RMB5,533 million for the year ended December 31, 2018, mainly due to the increase in our loan facilitation services. Our new core services revenues, which include revenues from loan facilitation transactions and new self-operated financing lease transactions we facilitated during the year, increased by 21% to RMB2,519 million, compared to RMB2,080 million for the year ended December 31, 2018. The following table sets forth the comparative figures for the years ended December 31, 2019 and 2018.

	For the year ended December 31,				
	2019			2018	
	RMB'000	*% of total revenues*	*Year-on-year*	*RMB'000*	*% of total revenues*
Revenues					
Transaction Platform Business					
Loan Facilitation Services	**1,668,299**	**29%**	**210%**	538,557	10%
Advertising and Other Services	**90,753**	**1%**	**-59%**	223,445	4%
Subtotal	**1,759,052**	**30%**	**131%**	762,002	14%
Self-Operated Financing Business					
Financing Lease Services	**3,755,464**	**65%**	**-8%**	4,101,062	74%
From new transactions during the year	**850,325**	**15%**	**-45%**	1,541,893	28%
From existing transactions in prior years	**2,905,139**	**50%**	**14%**	2,559,169	46%
Other Self-Operated Services[1]	**285,466**	**5%**	**-57%**	669,568	12%
Subtotal	**4,040,930**	**70%**	**-15%**	4,770,630	86%
Total	**5,799,982**	**100%**	**5%**	5,532,632	100%

Note:

(1) Include revenues from operating lease services, automobile sales and other revenues.

Transaction platform business

Revenues from our transaction platform business increased by 131% to RMB1,759 million for the year ended December 31, 2019, compared to RMB762 million for the year ended December 31, 2018, mainly due to the growth of our loan facilitation services, while partially offset by the decrease in advertising and other services due to our strategy to de-emphasize such services. Revenue contribution from transaction platform business continued to increase to 30% for the year ended December 31, 2019, compared to 14% for the year ended December 31, 2018.

Revenues from our loan facilitation services increased by 210% to RMB1,668 million for the year ended December 31, 2019, compared to RMB539 million for the year ended December 31, 2018. For the year ended December 31, 2019, we facilitated approximately 347 thousand financed transactions, through loan facilitation services, representing a 141% year-on-year increase in volume. Revenue contribution from our loan facilitation services continued to increase to 29% for the year ended December 31, 2019, compared to 10% for the year ended December 31, 2018.

Revenues from our advertising and other services decreased by 59% to RMB91 million for the year ended December 31, 2019, compared to RMB223 million for the year ended December 31, 2018, mainly due to our strategy to de-emphasize such services.

Self-operated financing business

Revenues from our self-operated financing business decreased by 15% to RMB4,041 million for the year ended December 31, 2019, compared to RMB4,771 million for the year ended December 31, 2018, primarily due to the decrease in revenues from our financing lease services. For the year ended December 31, 2019, we facilitated approximately 175 thousand financed transactions, through self-operated financing business, representing a 49% year-on-year decrease in volume, reflecting our strategy to focus on loan facilitation services.

Revenues from our financing lease services decreased by 8% to RMB3,755 million for the year ended December 31, 2019 compared to RMB4,101 million for the year ended December 31, 2018, due to the decrease in revenue from our new financing lease transactions for the year ended December 31, 2019 and partially offset by the increase in revenue from existing financing lease transactions in prior years. For the year ended December 31, 2019, we generated RMB850 million revenues from new financing lease transactions for the year ended December 31, 2019 and RMB2,905 million revenue from existing financing lease transactions in prior years, compared to RMB1,542 million and RMB2,559 million, respectively, for the year ended December 31, 2018. The average yield of our net finance receivables[(1)] was 11.3% for the year ended December 31, 2019, compared to 11.7% for the year ended December 31, 2018, mainly due to the increase in financed new automobile transactions as a percentage of total financed transactions.

Note:

(1) Revenues from financing lease services divided by quarterly average balance of net finance receivables.

Revenues from our other self-operated services decreased by 57% to RMB285 million for the year ended December 31, 2019, compared to RMB670 million for the year ended December 31, 2018, primarily due to the decrease in revenues from operating lease services and automobile sales due to our strategy to de-emphasize such services. Revenues from operating lease services were RMB21 million for the year ended December 31, 2019, compared to RMB264 million for the year ended December 31, 2018. Revenues from automobile sales were RMB242 million for the year ended December 31, 2019, compared to RMB368 million for the year ended December 31, 2018.

COST OF REVENUES

Cost of revenues were RMB3,034 million for the year ended December 31, 2019, decreased slightly from RMB3,057 million for the year ended December 31, 2018, primarily due to the decrease in costs associated with automobile sales, the decrease in funding costs associated with our self-operated financing lease services, the decrease in automobile depreciation associated with operating lease services, and partially offset by the increase of commissions associated with our loan facilitation services.

Cost of revenues of our transaction platform business increased by 179% to RMB723 million for the year ended December 31, 2019, compared to RMB259 million for the year ended December 31, 2018. The increase was primarily due to the increase in commissions associated with our loan facilitation services. Loan facilitation commissions were RMB663 million for the year ended December 31, 2019, compared to RMB192 million for the year ended December 31, 2018.

Cost of revenues of our self-operated financing business decreased by 17% to RMB2,311 million for the year ended December 31, 2019, compared to RMB2,798 million for the year ended December 31, 2018, primarily due to the decrease in funding costs associated with our self-operated financing lease services, the decrease in costs associated with automobile sales and the decrease in automobile depreciation associated with operating lease services. Funding costs decreased by 7% to RMB1,903 million for the year ended December 31, 2019, compared to RMB2,053 million for the year ended December 31, 2018. The average funding cost of our net finance receivables(1) was 5.7% for the year ended December 31, 2019, compared to 5.8% for the year ended December 31, 2018.

Note:

(1) Funding costs divided by quarterly average balance of net finance receivables.

GROSS PROFIT AND MARGINS

	Year ended December 31,			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Segment gross profit and gross profit margins				
Transaction Platform Business	**1,035,873**	**59%**	502,684	66%
Self-Operated Financing Business	**1,730,585**	**43%**	1,972,739	41%
Total	**2,766,458**	**48%**	2,475,423	45%

Our total gross profit increased by 12% to RMB2,766 million for the year ended December 31, 2019, compared to RMB2,475 million for the year ended December 31, 2018, primarily due to the growth in total revenues. Our overall gross profit margin increased to 48% for the year ended December 31, 2019, compared to 45% for the year ended December 31, 2018.

Gross profit of our transaction platform business increased by 106% to RMB1,036 million for the year ended December 31, 2019, compared to RMB503 million for the year ended December 31, 2018, mainly due to the growth in revenues from our loan facilitation services, and partially offset by the decrease in revenues from advertising and other services resulted from our strategy to de-emphasize such services. Gross profit margin of our transaction platform business decreased to 59% for the year ended December 31, 2019, compared to 66% for the year ended December 31, 2018, primarily due to the change of revenue mix and the increase of commissions associated with loan facilitation services.

Gross profit of our self-operated financing business decreased by 12% to RMB1,731 million for the year ended December 31, 2019, compared to RMB1,973 million for the year ended December 31, 2018, mainly due to the decrease in revenue from our self-operated financing lease services. Gross profit margin of our self-operated financing business increased to 43% for the year ended December 31, 2019, compared to 41% for the year ended December 31, 2018. The average spread of our net finance receivables[1] was 5.6% for the year ended December 31, 2019, compared to 5.9% for the year ended December 31, 2018, primarily due to the increase of financed new automobile transactions as a percentage of total financed transactions.

Note:

(1) Difference between the average yield of the net finance receivables and the average funding cost of the net finance receivables.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by 3% to RMB1,062 million for the year ended December 31, 2019, compared to RMB1,099 million for the year ended December 31, 2018, primarily due to the decrease in marketing and advertising expenses, and partially offset by the increase in salary and employee benefit expenses and the increase in share-based compensation expenses. Share-based compensation expenses for our sales and marketing personnel were RMB46 million for the year ended December 31, 2019, compared to RMB25 million for the year ended December 31, 2018.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by 34% to RMB506 million for the year ended December 31, 2019, compared to RMB763 million for the year ended December 31, 2018, primarily due to the decrease in salary and employee benefit expenses, share-based compensation expenses and professional service expenses. Share-based compensation expenses for our administrative personnel were RMB150 million for the year ended December 31, 2019, compared to RMB292 million for the year ended December 31, 2018.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses decreased by 18% to RMB196 million for the year ended December 31, 2019, compared to RMB239 million for the year ended December 31, 2018, primarily due to the decrease in salary and employee benefit expenses, and partially offset by the increase in share-based compensation expenses. Share-based compensation expenses for our research and development personnel were RMB37 million for the year ended December 31, 2019, compared to RMB32 million for the year ended December 31, 2018.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Net impairment losses on financial assets include provision for expected credit losses of finance receivables, provision for impairment of trade receivables and other receivables. Net impairment losses on financial assets increased by 66% to RMB1,108 million for the year ended December 31, 2019, compared to RMB669 million for the year ended December 31, 2018.

Provision for expected credit losses of finance receivables was RMB812 million for the year ended December 31, 2019, compared to RMB497 million for the year ended December 31, 2018. From the second half of year 2019, we were facing much stricter regulatory environment in delinquent consumer account collection and started to use litigation as our primary method of collection. The longer processing time adversely affect our efficiency in delinquent account collection and both our delinquency ratio and provision for expected credit losses of finance receivables were pushed up.

Provision for impairment of trade receivables was RMB268 million for the year ended December 31, 2019, compared to RMB170 million for the year ended December 31, 2018. Trade receivables were generated mainly from the services to auto dealers we no longer provided. In consideration of the general economic slowdown, we made such provision for the impairment of trade receivables from the services, especially in the first half of 2019. Starting from the second half of 2019, the provision of trade receivable has decreased significantly and we expect it to continue decreasing in the future. Provision for impairment of other receivables was RMB27 million for the year ended December 31, 2019, compared to RMB3 million for the year ended December 31, 2018.

OTHER GAINS, NET

Our other gains, net increased by 38% to RMB155 million for the year ended December 31, 2019, compared to RMB112 million for the year ended December 31, 2018. The increase was primarily attributable to the increase in gains associated with business cooperation agreements with Yusheng.

OPERATING PROFIT/(LOSS)

Our operating profit for the year ended December 31, 2019 was RMB50 million, compared to an operating loss of RMB184 million for the year ended December 31, 2018, mainly due to the increase in gross profit and the decrease in operating expenses.

FINANCE INCOME, NET

Our finance income, net was relatively stable at RMB28 million for the year ended December 31, 2019.

INCOME TAX EXPENSE

Our income tax expense increased by 285% to RMB45 million for the year ended December 31, 2019, compared to RMB12 million for the year ended December 31, 2018. The increase was primarily attributable to the increase in our operating profit.

PROFIT/(LOSS) FOR THE YEAR

Our profit for the year ended December 31, 2019 was RMB31 million, compared to a loss of RMB167 million for the year ended December 31, 2018, mainly due to the increase in gross profit and the decrease in operating expenses.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: nil).

NON-IFRSS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with the IFRSs, we also use adjusted operating profit and adjusted net profit as additional financial measures, which are unaudited and not required by, or presented in accordance with, IFRSs. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management compare our financial results across accounting periods and with those of our peer companies.

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

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

The following tables reconcile our Adjusted Operating Profit and Adjusted Net Profit for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Operating profit/(loss)	**49,770**	(183,824)
Add:		
Fair value gain on financial assets	**–**	(2,585)
Amortization of intangible assets resulting from asset and business acquisitions	**175,555**	165,419
Share-based compensation expenses	**233,124**	348,826
Adjusted Operating Profit	**458,449**	327,836

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net profit/(loss)	**30,936**	(166,580)
Add:		
Fair value gain on financial assets	**–**	(1,939)
Amortization of intangible assets resulting from asset and business acquisitions net of tax	**175,392**	164,409
Share-based compensation expenses	**233,124**	348,826
Adjusted Net Profit	**439,452**	344,716

ADJUSTED OPERATING PROFIT AND MARGINS

Our adjusted operating profit increased by 40% to RMB458 million for the year ended December 31, 2019, compared to RMB328 million for the year ended December 31, 2018 and our overall adjusted operating profit margin increased to 8% for the year ended December 31, 2019, compared to 6% for the year ended December 31, 2018. The increases were mainly due to the increase in gross profit and the decrease of operating expenses.

ADJUSTED NET PROFIT AND MARGIN

Our adjusted net profit increased by 27% to RMB439 million for the year ended December 31, 2019, compared to RMB345 million for the year ended December 31, 2018 and our adjusted net profit margin increased to 8% for the year ended December 31, 2019, compared to 6% for the year ended December 31, 2018. The increases were mainly due to the increase in gross profit and the decrease in operating expenses.

SELECTED FINANCIAL INFORMATION FROM OUR CONSOLIDATED BALANCE SHEET

	As at December 31,		
	2019	2018	Year-on-year
	RMB'000	*RMB'000*	*%*
Carrying amount of finance receivables	**26,904,149**	36,818,989	-27%
Cash and cash equivalent	**1,586,817**	2,116,197	-25%
Total borrowings	**19,840,169**	30,198,484	-34%
Current assets	**22,409,003**	26,082,085	-14%
Current liabilities	**18,890,005**	24,783,003	-24%
Net current assets	**3,518,998**	1,299,082	171%
Total equity	**15,713,054**	15,417,818	2%

FINANCE RECEIVABLES

We provide financing lease services in our self-operated financing business segment. Customers pay us interest and principal on a monthly basis. Our carrying amount of finance receivables decreased to RMB26.9 billion as at December 31, 2019, compared to RMB36.8 billion as at December 31, 2018, primarily due to our strategy to focus on loan facilitation services.

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the provision for finance receivables based on IFRS 9.

The following table sets forth our net finance receivables and the amount of provision for expected credit losses and the corresponding provision to net finance receivables ratios as at the dates indicated:

	As at December 31,	
	2019	2018
	(RMB'000, except for percentage)	
Finance receivables, net (ending balance)	**27,583,876**	37,333,886
Provision for expected credit losses (ending balance)	**(679,727)**	(514,897)
Provision to net finance receivables ratio[1]	**2.46%**	1.38%

The following table sets forth past due ratios for all financed transactions through both our self-operated financing lease services and our loan facilitation services to assess the overall quality of our financed transactions:

	As at December 31,	
	2019	2018
	(RMB'000, except for percentage)	
Past due ratio:		
180+ days[(2)]	**0.33%**	0.42%
90+ days (including 180+ days)[(3)]	**1.30%**	0.92%

Notes:

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

(2) 180+ days past due net finance receivables from self-operated financing lease services and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balances.

(3) 90+ days (including 180+ days) past due net finance receivables from self-operated financing lease services and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balances.

As at December 31, 2019, our 180+ days past due ratio and 90+ days (including 180+ days) past due ratio for all financed transactions including both our self-operated financing lease services and loan facilitation services were 0.33% and 1.30% respectively (December 31, 2018: 0.42% and 0.92% respectively).

CASH AND CASH EQUIVALENTS

As at December 31, 2019, we had cash and cash equivalents of RMB1,587 million, compared with RMB2,116 million as at December 31, 2018. The decrease in cash and cash equivalents was mainly due to repayment of borrowings due.

As at December 31, 2019, RMB1,530 million of cash and cash equivalents were denominated in RMB, compared to RMB2,069 million as at December 31, 2018.

Our net cash inflow generated from operating activities was RMB11.5 billion for the year ended December 31, 2019, compared to a net cash outflow of RMB4.1 billion for the year ended December 31, 2018.

BORROWINGS AND SOURCE OF FUNDS

By leveraging our leading industry position as well as prudent and sound risk management track record, we are highly recognized among China's financial institutions and have established diversified and extensive funding channels to support our loan facilitation services and self-operated financing services.

For our loan facilitation services, we currently work with 12 banks and financial institutions as our partners. In addition to our equity funding and cash flow from operations, we also issued asset back securities and notes as well as obtained loans and borrowings from 13 banks and 42 other financial institutions.

As at December 31, 2019, our total borrowings were RMB19.8 billion, compared to RMB30.2 billion as at December 31, 2018. The decrease was mainly due to our strategy to focus on loan facilitation services. Total borrowings comprised of (i) asset back securities and notes of RMB7.4 billion as at December 31, 2019; and (ii) bank loans and borrowings from other institutions of RMB12.4 billion. Asset back securities and notes as a percentage of our total borrowings was 37% as at December 31, 2019.

Details of the currencies, maturities and interest rates of the borrowings are set out in Note 26 to the consolidated financial statements.

Yixin is a seasoned and highly recognized issuer in China's asset backed securities market. As at December 31, 2019, Yixin has offered accumulatively 23 asset back securities and notes publicly with a total issuance amount of over RMB33.5 billion on Shanghai Stock Exchange ("**SSE**"), National Association of Financial Market Institutional Investors ("**NAFMII**") and Shanghai Insurance Exchange ("**SHIE**").

NET CURRENT ASSETS

Our net current assets were RMB3,519 million as at December 31, 2019, compared to RMB1,299 million as at December 31, 2018. Our current assets were RMB22.4 billion as at December 31, 2019, compared to RMB26.1 billion as at December 31, 2018, primarily due to the decrease in current portion of finance receivables and the decrease of cash and cash equivalents as a result of repayment of borrowings due. Our current liabilities were RMB18.9 billion as at December 31, 2019, compared to RMB24.8 billion as at December 31, 2018, primarily due to the repayment of borrowings due.

KEY FINANCIAL RATIOS

	As at December 31,	
	2019	2018
Current ratio (times)[(1)]	**1.19**	1.05
Gearing ratio[(2)]	**51%**	62%
Debt to equity ratio (times)[(3)]	**1.28**	2.03

Notes:

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

(2) Gearing ratio is net debt divided by total capital at the end of each financial period. Net debt is calculated as total borrowings (including loans payable to Bitauto, its subsidiaries and consolidated affiliated entities) plus lease liabilities,, less our cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net debt.

(3) Debt to equity ratio is total borrowings (including loans payables to Bitauto, its subsidiaries and consolidated affiliated entities) plus lease liabilities divided by total equity at the end of each financial period.

Current Ratio

Our current ratio increased to 1.19 as at December 31, 2019, compared to 1.05 as at December 31, 2018, mainly due to the decrease in current liabilities of the Group.

Gearing Ratio

Our gearing ratio decreased to 51% as at December 31, 2019, compared to 62% as at December 31, 2018, mainly due to decreased in net debt of the Group.

Debt to Equity Ratio

Our debt to equity ratio decreased to 1.28 as at December 31, 2019, compared to 2.03 as at December 31, 2018, due to the decrease in total borrowings and the increase in total equity.

CAPITAL EXPENDITURE AND INVESTMENTS

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Purchase of property, equipment and other non-current assets	**472,921**	24,630
Purchase of intangible assets	**6,283**	9,062
Investments in financial assets at fair value through profit or loss	**422,318**	1,938,786
Investments in associates and subsidiaries in the form of ordinary shares	**407,500**	–
Total	**1,309,022**	1,972,478

FOREIGN EXCHANGE RISK

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and the Hong Kong Dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2019 and 2018.

Details of the currencies in which cash and cash equivalents are held and in which borrowings are made are set out in Note 20 and Note 26 to the consolidated financial statements, respectively.

SIGNIFICANT INVESTMENTS HELD

On June 13, 2018, the Company and Yusheng Holdings Limited ("**Yusheng**"), a company principally engaged in used automobile transaction business and an independent third party, entered into a convertible note purchase agreement (the "**Convertible Note Purchase Agreement**"), pursuant to which Yusheng agreed to issue, and the Company agreed to purchase, the convertible note (the "**Convertible Note**") in the principal amount of US$260 million (equivalent to approximately HK$2,040 million). The Convertible Note is interest free and convertible into 13 million non-voting Series Pre-A preferred shares of Yusheng with a par value of US$0.0001 per share (the "**Series Pre-A Preferred Shares**") at the conversion price of US$20.00 (equivalent to approximately HK$156.93). The Series Pre-A Preferred Shares convertible under the Convertible Note represent an interest of approximately 40.63% in the share capital of Yusheng assuming full subscription of the Series A-1 and Series A-2 preferred shares of Yusheng by the investors under the securities subscription agreement separately entered into by them with Yusheng and that all the equity securities which Yusheng intends to reserve for issuance pursuant to its future employee equity incentive plan have been issued. The Convertible Note will mature on June 12, 2038 (the "**Maturity Date**") or such later date as otherwise agreed by the Company and Yusheng. Unless converted into Series Pre-A Preferred Shares prior to the Maturity Date, the outstanding principal of the Convertible Note will be due and payable upon demand by the Company on the Maturity Date or any time thereafter.

As consideration for the subscription of the Convertible Note, the Company agreed to (i) pay a cash consideration of US$21 million (equivalent to approximately HK$165 million), and (ii) provide certain cooperation services to Yusheng and/or its affiliates pursuant to the terms of the business cooperation agreement dated June 13, 2018 entered into between the Company and Yusheng. For further details, please refer to the announcement of the Company dated June 13, 2018.

In November, 2019, the Company subscribed another convertible note issued by Yusheng with a cash consideration of US$43 million (equivalent to approximately HK$335 million) to further strength our coperation relationship with Yusheng in used automobile business.

For the year ended December 31, 2019, Yusheng achieved significant growth with increasing volume and revenue and made important contribution to our financed used automobile transactions.

As at December 31, 2019, fair value of our investment in Yusheng was RMB2,118,909,000 (December 31, 2018: RMB1,789,470,000) which constituted 5.4% of total assets (December 31, 2018: 3.5%). The Company did not recognize any realized or unrealized gain or loss from the investment nor did the Company receive any dividend during the years ended December 31,2019 and 2018.

Save as disclosed above, we did not hold any significant investments in the equity interests of any other companies for the year ended December 31, 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we did not have other plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICY

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, and online channels.

As at December 31, 2019, we had 4,177 full-time employees (December 31, 2018: 4,483). In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme, the details of which are set out in the prospectus of the Company dated November 6, 2017 (the "**Prospectus**"), and Note 23 to the consolidated financial statements.

In addition to on-the-job training, we have adopted a training policy, pursuant to which various internal and external trainings are provided to our employees.

The total remuneration cost (including share-based compensation) incurred by the Group for the year ended 31 December 2019 was RMB986 million, compared to RMB1,142 million for the year ended December 31, 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

On August 2, 2019, Xinche Investment, an indirect wholly-owned subsidiary of the Company, Beijing Bitauto and Dalian Rongxin entered into the Investment Agreement pursuant to which Xinche Investment or its designated entity which is intended to be a wholly-owned subsidiary of the Company, as the investor (the "**Investor**"), will invest RMB475 million into Dalian Rongxin (the "**Investment**"). After the Investment, Dalian Rongxin will be held by Beijing Bitauto and the Investor as to approximately 67.80% and 32.20%, respectively. For further details, please refer to the announcement of the Company dated August 2, 2019.

Dalian Rongxin provides financing guarantee services to certain auto loans for which the Group provides loan facilitation services. By entering into the Investment Agreement, the Group can further strengthen the business cooperation with Dalian Rongxin while expanding its loan facilitation services in the future.

On August 26, 2019, Xinche Investment and Shanghai Lanshu, indirect wholly-owned subsidiaries of the Company, Guangzhou Shengda Financing Guarantees Company Limited and its existing shareholders entered into the Investment Agreement pursuant to which Xinche Investment and Shanghai Lanshu as the acquirer, will acquire 100% equity interest of Guangzhou Shengda for a cash consideration of RMB7 million. The acquisition was completed in November 2019 and after the acquisition, Guangzhou Shengda became an indirect wholly-owned subsidiary of the Company.

By acquiring Guangzhou Shengda, which is a licensed financing guarantee company, the Group can further develop its loan facilitation services in the future.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries or associated companies for the year ended December 31, 2019.

PLEDGE OF ASSETS

Certain deposits placed with banks were used as pledged assets for the Group's bank borrowings and bank notes as well as loan facilitation services. Certain finance receivables were used as pledge for the borrowings and securitization transactions. For more details, please refer to the Notes 20 and 26 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at December 31, 2019, we did not have any material contingent liabilities (December 31, 2018: nil).

OUR DIRECTORS

EXECUTIVE DIRECTORS

Mr. Andy Xuan Zhang, aged 44, is the Chief Executive Officer, executive Director and chairman of the Board. He is also the chairman of the Nomination Committee as well as a member of the Remuneration Committee. Mr. Zhang also acts as a director of certain subsidiaries of the Company. Mr. Zhang founded the Group in December 2013. He is responsible for the overall strategic planning and business direction of the Group and management of the Company. Mr. Zhang has over 20 years of operational and managerial experience with both multinational companies and local Chinese companies in internet, automobile and finance industries. Mr. Zhang held numerous positions in Bitauto since 2006. He has served as an executive director and the chief executive officer of Bitauto since January 2018. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its successful listing on the NYSE in November 2010.

Mr. Zhang obtained his bachelor's degree in finance and accounting from New York University in May 1999. Mr. Zhang has also been granted a certified public accountant by the Education Department of New York State, U.S.A. in October 2003.

Mr. Dong Jiang, aged 48, is an executive Director, the President and a director of certain subsidiaries of the Company. He joined the Company in March 2015 and was the chief operating officer of the Company from June 2017 to December 2017. Mr. Jiang is primarily responsible for overseeing the day-to-day operations of the Company. Prior to joining our Group, from February 2011 to March 2015, Mr. Jiang was group deputy manager of China Grand Automotive Services Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600297). From January 2008 to January 2010, he was senior vice president of China Auto Rental Inc. (now known as CAR Inc.), a company listed on the Main Board of the Stock Exchange (stock code: 699).

Mr. Jiang obtained his bachelor's degree in aquaculture from Dalian Ocean University in July 1993 and master's degree in business administration from Peking University in July 2011.

NON-EXECUTIVE DIRECTORS

Mr. James Gordon Mitchell, aged 46, is a non-executive Director since June 2017. He has served as the chief strategy officer and senior executive vice president of Tencent since July 2011. From January 2000 to June 2011, he held various positions at Goldman Sachs in New York including managing director.

Mr. Mitchell is a non-executive director and chairman of China Literature Limited, a company listed on the Main Board of the Stock Exchange (stock code: 772), since June 2017 and a non-executive director of Frontier Developments plc, a company listed on the London Stock Exchange Alternative Investment Market (stock code: FDEV), since September 2017, a non-executive director of NIO Inc., a company listed on the NYSE (stock code: NIO), since September 2018 and a non-executive director of Tencent Music Entertainment Group, a company listed on the NYSE (stock code: TME), since December 2018.

Mr. Mitchell obtained his bachelor's degree in history from the University of Oxford.

Mr. Jimmy Chi Ming Lai, aged 47, is a non-executive Director since June 2017. Mr. Lai is the vice president of Tencent and chairman of Infinium Limited (currently known as Fusion Bank Limited). He joined Tencent in 2009 and was the general manager for Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司) between 2012 and 2019. In 2015, Tencent's payment business was accelerated and developed into Tencent FiT (Financial Technology). Since then, Mr. Lai has been leading Tencent FiT until 2019.

Mr. Lai is currently a director of Haomai Asset Management Co., Ltd. (好買財富管理股份有限公司), a company listed on the National Equities Exchange and Quotations ("**NEEQ**") in the PRC (stock code: 834418), since February 2017 and a non-executive director of ZhongAn Online P & C Insurance Co., Ltd.* (眾安在線財產保險股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6060), since November 2013. In addition, he was a director of Shanghai E-Money Software Technology Co., Ltd. (上海益盟軟件技術股份有限公司), a company listed on the NEEQ (stock code: 832950), from December 2015 to February 2017.

Mr. Lai is appointed to the board of directors of the Financial Services Development Council for a term from January 2, 2020 to January 16, 2021. Mr. Lai serves as a non-official member of the Committee on Innovation, Technology and Reindustrialization in Hong Kong since April 2019 and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development in Hong Kong since March 2018. He is also a member of the Chinese People's Political Consultative Conference Guangdong Committee since January 2018.

Mr. Lai obtained his master's degree in business administration from Harvard University.

Mr. Chenkai Ling, aged 43, is a non-executive Director. Mr. Ling joined our Group in June 2017. He joined JD.com in July 2016, worked as the vice president of corporate strategy and investment of JD.com, head of JD international since September 2018, worked as corporate vice president and general manager of Retail Solution of JD.com since May 2019, worked as corporate vice president and the head of strategic development and integrated management department of JD Retail group since March 2020. Prior to this, he worked at Bain & Company, Inc. from August 2008, and was serving as a principal of the firm when he left in July 2016.

Mr. Ling obtained his master's degree in business administration from the Amos Tuck School of Business Administration at Dartmouth College in June 2008 and his master's degree in management information systems from Tongji University (同濟大學) in October 2000.

Mr. Huan Zhou, aged 37, is a non-executive Director. Mr. Zhou joined our Group in May 2019. He has been employed by Baidu, Inc., a company listed on the Nasdaq Global Select Market (NASDAQ: BIDU) since November 2016, with current position as a senior director of mobile ecosystem strategic planning department. Prior to that, he was employed by Dah Sing Bank (China) Limited from December 2012 to October 2016, with last position as the head of retail banking in the head office.

Mr. Zhou obtained his master degree in business administration from the Hong Kong University of Science and Technology in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tin Fan Yuen, aged 67, is an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Yuen joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. He was formerly chief executive of the Stock Exchange from October 1988 to October 1991, deputy chairman and executive director of the Pacific Century Group from 1996 to 2006, deputy chairman and executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange (stock code: 8), from August 1999 to June 2006, executive chairman of Pacific Century Insurance Holdings Limited (now known as FTL Asia Holdings Limited), a company previously listed on the Main Board of the Stock Exchange (stock code: 65), from June 1999 to July 2007, independent non-executive director of China Foods Limited, a company listed on the Main Board of the Stock Exchange (stock code: 506), from July 1993 to August 2017 and independent non-executive director of Agricultural Bank of China Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1288) and the Shanghai Stock Exchange (stock code: 601288), from March 2013 to August 2019.

Mr. Yuen currently holds positions in the following publicly listed companies:

- Pacific Century Regional Developments Limited, a company listed on the Singapore Exchange Limited (stock code: P15), as an independent non-executive deputy chairman since February 2015; and

- Shanghai Industrial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 363), as an independent non-executive director since July 2016.

Mr. Yuen obtained his bachelor of arts degree in economics from the University of Chicago in June 1975. He is the chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the board of Ortus Capital Management Limited, and a member of the board of trustees of University of Chicago and Fudan University.

Mr. Chester Tun Ho Kwok, aged 56, is an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee. Mr. Kwok joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. Since January 2016, Mr. Kwok has been an independent non-executive director and a member of the audit committee and investment committee of Henderson Sunlight Asset Management Limited ("**Henderson Sunlight**"), the manager of Sunlight Real Estate Investment Trust listed on the Main Board of the Stock Exchange (stock code: 435). With effect from November 1, 2018, Mr. Kwok was appointed as a member of the remuneration and nomination committee of Henderson Sunlight. He has also served as a member of the Process Review Panel of the Securities and Futures Commission since November 2016.

Mr. Kwok was also a member of the Takeovers and Mergers Panel of the Securities and Futures Commission from April 2007 to March 2016 and the deputy chairman and a member of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission between April 2017 to March 2019 and April 2013 to March 2019, respectively.

Mr. Kwok served in a senior capacity in a number of international financial institutions, including Credit Suisse (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited between November 2000 and September 2012, and September 2012 and October 2015, respectively.

Mr. Kwok obtained his bachelor of arts degree from the University of Cambridge in June 1985. He has been a member of the Hong Kong Securities Institute since 1998 and a fellow of the Hong Kong Institute of Directors since 2016.

Ms. Lily Li Dong, aged 49, is an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Dong joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. Since April 13, 2020, Ms Dong has been an independent director and a member of the audit committee and nominating and corporate governance committee of 58.com Inc., a company listed on the NYSE (stock code: WUBA). From August 2015 to June 2017, Ms. Dong was the chief financial officer of eDaijia, an online designated driver service provider. Prior to that, she served as chief financial officer at RDA Microelectronics, Inc., a fabless semiconductor company previously listed on Nasdaq Global Select Market (NASDAQ: RDA) ("**RDA**"), from November 2007 to July 2015, and was its director from January 2014 to July 2015. Ms. Dong has extensive experience as a finance and management professional and led the initial public offering process of RDA. Prior to that, Ms. Dong worked for Hewlett-Packard in China since 1992, and was the Finance Operations Manager of Hewlett-Packard Technology (Shanghai) Co., Ltd.* (惠普科技(上海)有限公司) when she left in 2005.

Ms. Dong obtained her bachelor's degree in economics from the Nanjing University of Science and Technology in July 1992 and her executive master's degree in business administration from China Europe International Business School in November 2004.

COMPANY SECRETARY

Mr. Man Wah Cheng is the Company Secretary of the Company. Mr. Cheng is a Certified Public Accountant of the HKICPA and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng has over ten years of experience in accounting, finance, taxation and corporate secretarial fields.

CHANGES IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Director	Details of Change	Effective Date
Mr. Jimmy Chi Ming Lai	Appointed to the board of directors of the Financial Services Development Council	January 2, 2020
Mr. Chenkai Ling	Appointed as corporate vice president and the head of strategic development and integrated management department of JD Retail group	March, 2020
Mr. Tin Fan Yuen	Ceased to be an independent non-executive director of Agricultural Bank of China Limited	August 30, 2019
Ms. Lily Li Dong	Appointed as an independent director and a member of the audit committee and nominating and corporate governance committee of 58.com Inc.	April 13, 2020

Save for those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF THE DIRECTORS

The Board presents its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 19, 2014 as an exempted limited liability company under the Cayman Companies Law. The Company adopted and carries on business in Hong Kong under the name of "Yixin Automotive Technology Group Limited".

PRINCIPAL ACTIVITIES

The Group is principally engaged in the operation of an online financed automobile transaction platform in China. The Group operates its business in two segments: (i) transaction platform business, where we primarily facilitate auto loans to consumers offered by our auto finance partners; and (ii) self-operated financing business, where we primarily provide consumers with auto finance solutions through financing leases.

The analysis of the Group's revenues and contribution to results by business segments and the Group's revenues by geographical areas of operations are set out in Note 5 to the consolidated financial statements.

USE OF NET PROCEEDS FROM THE LISTING

Our shares were listed on the Stock Exchange on the Listing Date and the net proceeds raised during our IPO amounted to approximately HK$6,508 million (equivalent to RMB5,525 million). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at December 31, 2019, the Group had utilised the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to December 31, 2019		Utilization during the Reporting Period		Unutilized amount	
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*
Sales and marketing	1,952,278	1,657,523	1,952,278	1,657,523	–	–	–	–
Research and technology capabilities enhancement	1,301,519	1,105,016	544,184	462,023	202,930	172,292	757,335	642,993
Self-operated financing business	1,301,519	1,105,016	1,301,519	1,105,016	–	–	–	–
Potential investments or acquisitions	1,301,519	1,105,016	1,301,519	1,105,016	817,519	694,091	–	–
Working capital and other general corporate purposes	650,760	552,506	650,760	552,506	–	–	–	–
Total	**6,507,595**	**5,525,077**	**5,750,260**	**4,882,084**	**1,020,449**	**866,383**	**757,335**	**642,993**

We will gradually apply the unutilised net proceeds in the manner set out in the Prospectus.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the "Chairman's Statement" and the "Management Discussion and Analysis" sections of this annual report. Particulars of important events affecting the Group that have occurred during the Reporting Period are included in the abovementioned sections. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Management Discussion and Analysis" and "Five-Year Financial Summary" sections of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the "Chairman's Statement", "Management Discussion and Analysis" and "Risks relating to the Two Contractual Arrangements" section of this annual report.

In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are included in the "ESG Report" and the "Corporate Governance Report" contained in this annual report. All the above discussions form part of this report.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated income statement on page 100 of this annual report.

The Directors did not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: nil). No Shareholder has waived or agreed to waive any dividends.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2019 are set out in Note 21 to the consolidated financial statements.

During the year, 3,205,396 new ordinary shares were issued pursuant to the Pre-IPO Share Option Scheme as a result of the exercise of share options by option holders.

RESERVES

As at December 31, 2019, the Company had distributable reserves amounting to RMB17,892,682,000 (2018: RMB17,362,273,000).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2019 are set out in the consolidated statement of changes in equity on pages 104 to 105 and in Note 36(b) to the consolidated financial statements, respectively.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended December 31, 2019 are set out in Note 12 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements.

DEBENTURES AND BORROWINGS

As at December 31, 2019, our total borrowings were RMB19.8 billion, compared to RMB30.2 billion as at December 31, 2018. Total borrowings comprised (i) asset back securities and notes of RMB7.4 billion; and (ii) bank loans and borrowings from other institutions of RMB12.4 billion as at December 31, 2019. Details of the Group's borrowings are set out in Note 26 to the consolidated financial statements.

The Group has not issued any debenture during the Reporting Period (2018: nil).

DONATIONS

During the year ended December 31, 2019, the Group did not make any charitable donations (2018: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the condensed consolidated results and financial positions of the Group for the last five financial years is set out on page 195 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme (as defined below). Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 33, Note 8(a) and Note 8(b), respectively, to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

1. Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved and adopted by the Board on May 26, 2017 and amended on September 1, 2017.

Purpose

The purpose of the Pre-IPO Share Option Scheme is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO Share Option Scheme is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

1. Pre-IPO Share Option Scheme (Continued)

Eligible participants

Any employees, consultants, all members of the Board, and other individuals, as determined, authorized and approved by the Board or a committee authorised by the Board (the "**Committee**").

Maximum number of Shares

The overall limit on the number of options to be granted pursuant to the Pre-IPO Share Option Scheme represents 59,780,609 underlying Shares, or 418,464,263 underlying Shares, after taking into account the Capitalization Issue.

As at December 31, 2019, outstanding options representing 226,553,172 underlying Shares were granted to eligible participants pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are set out in Note 23 to the consolidated financial statements.

Limit for each participant

Under the Pre-IPO Share Option Scheme, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant.

Remaining life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme commenced on May 26, 2017 (the "**Effective Date**"). Any options that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Pre-IPO Share Option Scheme and the applicable award agreement between the Company and the participant.

Consideration

Nil consideration is required to be paid by the grantees for the grant of options under the Pre-IPO Share Option Scheme.

Option period

The term of any option granted under the Pre-IPO Share Option Scheme shall not exceed 10 years, subject to the Shareholders' approval of extension of the exercise period for an option beyond 10 years from the date of grant. The Board shall also determine any conditions, if any, that must be satisfied before all or part of the options may be exercised.

The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Pre-IPO Share Option Scheme does not specify any minimum holding period.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

1. Pre-IPO Share Option Scheme (Continued)

Exercise price

The exercise price per Share subject to an option shall be determined by the Committee and set forth in the award agreement and may be a fixed or variable price related to the fair market value of the Shares.

Details of the movement of the options granted under the Pre-IPO Share Option Scheme during the year are as follows:

				Number of options			
Name or category of option holders	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2019	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at December 31, 2019
Director and senior management							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from date of grant	US$0.0014	192,599,071	–	–	192,599,071
	October 1, 2017	10 years from date of grant	US$0.0014	65,002,189	–	–	65,002,189
Mr. Zhifeng Jia (賈志峰)	July 3, 2017	10 years from date of grant	US$0.0014	700,000	–	–	700,000
Other grantees							
In aggregate	Between July 3, 2017 and October 1, 2017	10 years from date of grant	US$0.0014	11,646,028	(3,205,396)	(1,458,126)	6,982,506
Total				**269,947,288**	**(3,205,396)**	**(1,458,126)**	**265,283,766**

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and Note 23(a) to the consolidated financial statements.

2. First Share Award Scheme

The First Share Award Scheme was adopted by written resolutions of the Shareholders on May 26, 2017, amended on September 1, 2017 and effective from the Listing Date.

Purpose

The purpose of the First Share Award Scheme is to align the interests of eligible participants with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible participants to make contributions to the long-term growth and profits of the Group.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

Eligible participants

Any employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Board or its delegate(s) determine.

Awards

An award granted by the Board to eligible participants which may vest in the form of Shares or the actual selling price of the Shares in cash ("**First Award Shares**").

Granting of awards

The Board may, from time to time, grant awards to any eligible participant who the Board considers to have contributed or will contribute to the Group.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the First Share Award Scheme (excluding First Award Shares granted which have been forfeited in accordance with the First Share Award Scheme) will not exceed 10,118,631 Shares or 70,830,417 underlying Shares, after taking into account the Capitalization Issue, subject to an increase of 3,303,222 Shares, or 23,122,554 underlying Shares, after taking into account the Capitalization Issue being the equivalent to the aggregate number of Shares underlying the options that are not granted under the Pre-IPO Share Option Scheme prior to the Global Offering without further Shareholders' approval.

As at December 31, 2019, 102,352,427 Shares had been granted or agreed to be granted under the First Share Award Scheme and the trustee has applied shares held under the First Share Award Scheme which were unallocated or forfeited pursuant to the First Share Award Scheme to partly satisfy the awards granted.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Details of the awarded Shares granted under the First Share Award Scheme and their movements during the year are set out below:

			Number of Awards					
Name	Date of grant	Held at January 1, 2019	Granted during the year	Vested during the year	Lapsed during the year	Held at December 31, 2019	Vesting date	Closing price at date of grant (HK$)
Other grantees								
In aggregate	17-Jul-18	8,870,935	–	(8,846,487)	(24,448)	–	31-Mar-19	3.14
	17-Jul-18	348,600	–	(348,600)	–	–	31-Aug-19	3.14
	17-Jul-18	143,500	–	(91,000)	(52,500)	–	30-Sep-19	3.14
	17-Jul-18	572,500	–	(572,500)	–	–	31-Dec-19	3.14
	17-Jul-18	8,873,203	–	–	(1,023,210)	7,849,993	31-Mar-20	3.14
	17-Jul-18	142,800	–	–	–	142,800	31-Aug-20	3.14
	17-Jul-18	143,500	–	–	(52,500)	91,000	30-Sep-20	3.14
	17-Jul-18	572,500	–	–	–	572,500	31-Dec-20	3.14
	17-Jul-18	8,816,478	–	–	(1,023,210)	7,793,268	31-Mar-21	3.14
	17-Jul-18	143,500	–	–	(52,500)	91,000	30-Sep-21	3.14
	17-Jul-18	572,500	–	–	–	572,500	31-Dec-21	3.14
	17-Jul-18	8,359,868	–	–	(1,023,210)	7,336,658	31-Mar-22	3.14
Sub-total		37,559,884	–	(9,858,587)	(3,251,578)	24,449,719		
In aggregate	20-Dec-18	11,127,597	–	(11,112,317)	(15,280)	–	31-Mar-19	1.83
	20-Dec-18	1,919,500	–	(1,857,000)	(62,500)	–	31-Aug-19	1.83
	20-Dec-18	232,500	–	(232,500)	–	–	30-Nov-19	1.83
	20-Dec-18	10,252,597	–	–	(1,037,497)	9,215,100	31-Mar-20	1.83
	20-Dec-18	2,129,479	–	–	(361,250)	1,768,229	31-Aug-20	1.83
	20-Dec-18	232,500	–	–	–	232,500	30-Nov-20	1.83
	20-Dec-18	10,252,597	–	–	(1,037,497)	9,215,100	31-Mar-21	1.83
	20-Dec-18	2,129,479	–	–	(361,250)	1,768,229	31-Aug-21	1.83
	20-Dec-18	232,500	–	–	–	232,500	30-Nov-21	1.83
	20-Dec-18	10,252,593	–	–	(1,037,497)	9,215,096	31-Mar-22	1.83
	20-Dec-18	2,129,542	–	–	(361,250)	1,768,292	31-Aug-22	1.83
	20-Dec-18	232,500	–	–	–	232,500	30-Nov-22	1.83
Sub-total		51,123,384	–	(13,201,817)	(4,274,021)	33,647,546		
In aggregate	24-Jul-19	–	855,951	–	(24,808)	831,143	31-Mar-20	1.82
	24-Jul-19	–	1,365,500	–	–	1,365,500	31-Aug-20	1.82
	24-Jul-19	–	670,712	–	(24,807)	645,905	31-Mar-21	1.82
	24-Jul-19	–	1,365,500	–	–	1,365,500	31-Aug-21	1.82
	24-Jul-19	–	485,232	–	–	485,232	31-Mar-22	1.82
	24-Jul-19	–	1,365,500	–	–	1,365,500	31-Aug-22	1.82
	24-Jul-19	–	300,000	–	–	300,000	31-Mar-23	1.82
	24-Jul-19	–	1,365,500	–	–	1,365,500	31-Aug-23	1.82
Sub-total		–	7,773,895	–	(49,615)	7,724,280		
Total		**88,683,268**	**7,773,895**	**(23,060,404)**	**(7,575,214)**	**65,821,545**		

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

Limit for each participant

Under the First Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Second Share Award Scheme.

Termination

The First Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the First Share Award Scheme or the Listing Date except in respect of any non-vested First Award Shares granted hereunder prior to the expiration of the First Share Award Scheme, for the purpose of giving effect to the vesting of such First Award Shares or otherwise as may be required in accordance with the provisions of the First Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the First Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the First Award Shares already granted to a selected participant.

Further details of the First Share Award Scheme are set out in the Prospectus and Note 23(b) to the consolidated financial statements.

3. Second Share Award Scheme

The Second Share Award Scheme was adopted by written resolutions of all the Shareholders on September 1, 2017 and effective from the Listing Date.

Purpose

The purpose of the Second Share Award Scheme is to align the interests of eligible participants with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible participants to make contributions to the long-term growth and profits of the Group.

Eligible participants

Any employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Board or its delegate(s) determine.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

3. Second Share Award Scheme (Continued)

Awards

An award granted by the Board to eligible participants which may vest in the form of Shares or the actual selling price of the Shares in cash ("**Second Award Shares**").

Granting of awards

The Board may, from time to time, grant awards to any eligible participant who the Board considers to have contributed or will contribute to the Group.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the Second Share Award Scheme (excluding Second Award Shares which have been forfeited in accordance with the Second Share Award Scheme) will not exceed 5% of the total number of issued Shares without Shareholders' approval, subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As at December 31, 2019, 12,318,478 Shares had been granted or agreed to be granted under the Second Share Award Scheme.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

3. Second Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Details of the awarded Shares granted under the Second Share Award Scheme and their movements during the year are set out below:

Name	Date of grant	Held at January 1, 2019	Number of Awards Granted during the year	Vested during the year	Lapsed during the year	Held at December 31, 2019	Vesting date	Closing price at date of grant (HK$)
Directors								
Mr. Dong Jiang	20-Sep-18	2,450,000[(1)]	–	–	–	2,450,000[(1)]	31-Mar-20	2.34
	20-Sep-18	1,225,000	–	–	–	1,225,000	31-Mar-21	2.34
	20-Sep-18	1,225,000	–	–	–	1,225,000	31-Mar-22	2.34
Mr. Tin Fan Yuen	20-Sep-18	337,847	–	(337,847)	–	–	27-Nov-19[(2)]	2.34
	20-Sep-18	337,847	–	–	–	337,847	16-Nov-20	2.34
	20-Sep-18	337,850	–	–	–	337,850	16-Nov-21	2.34
Mr. Chester Tun Hon Kwok	20-Sep-18	337,847	–	(337,847)	–	–	27-Nov-19[(3)]	2.34
	20-Sep-18	337,847	–	–	–	337,847	16-Nov-20	2.34
	20-Sep-18	337,850	–	–	–	337,850	16-Nov-21	2.34
Ms. Lily Li Dong	20-Sep-18	168,924	–	(168,924)	–	–	27-Nov-19[(4)]	2.34
	20-Sep-18	168,924	–	–	–	168,924	16-Nov-20	2.34
	20-Sep-18	168,924	–	–	–	168,924	16-Nov-21	2.34
Sub-total		7,433,860	–	(844,618)	–	6,589,242		
Other grantees								
In aggregate	20-Sep-18	420,000	–	(420,000)	–	–	30-Sep-19	2.34
	20-Dec-18	1,000,000[(5)]	–	–	–	1,000,000[(5)]	31-Mar-20	2.34
	20-Dec-18	500,000	–	–	–	500,000	31-Mar-21	2.34
	20-Dec-18	500,000	–	–	–	500,000	31-Mar-22	2.34
	20-Sep-18	600,000[(6)]	–	–	–	600,000[(6)]	31-Mar-20	1.83
	20-Dec-18	300,000	–	–	–	300,000	31-Mar-21	1.83
	20-Dec-18	300,000	–	–	–	300,000	31-Mar-22	1.83
Sub-total		3,620,000	–	(420,000)	–	3,200,000		
Total		**11,053,860**		**(1,264,618)**		**9,789,242**		

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

3. Second Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Notes:

(1) 1,225,000 awards of vesting date of March 31, 2019 for Mr. Dong Jiang has been postponed to March 31, 2020.

(2) 337,847 awards of vesting date of November 16, 2019 for Mr. Tin Fan Yuen was postponed to November 27, 2019.

(3) 337,847 awards of vesting date of November 16, 2019 for Mr. Chester Tun Hon Kwok was postponed to November 27, 2019.

(4) 168,924 awards of vesting date of November 16, 2019 for Ms. Lily Li Dong was postponed to November 27, 2019.

(5) 500,000 awards of vesting date of March 31, 2019 for other grantees has been postponed to March 31, 2020.

(6) 300,000 awards of vesting date of March 31, 2019 for other grantees has been postponed to March 31, 2020.

Limit for each participant

Under the Second Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the First Share Award Scheme.

Termination

The Second Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the Second Share Award Scheme or the Listing Date except in respect of any non-vested Second Award Shares granted hereunder prior to the expiration of the Second Share Award Scheme, for the purpose of giving effect to the vesting of such Second Award Shares or otherwise as may be required in accordance with the provisions of the Second Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Second Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Second Award Shares already granted to a selected participant.

Further details of the Second Share Award Scheme are set out in the Prospectus and Note 23(b) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Pre-IPO Share Option Scheme and Share Award Schemes", no equity-linked agreement was entered into by the Group, or existed during the Reporting Period.

DIRECTORS

The Directors who held office during the year ended December 31, 2019 and up to the date of this report are:

Executive Directors:

Mr. Andy Xuan Zhang *(Chairman and Chief Executive Officer)*
Mr. Dong Jiang *(President)*

Non-executive Directors:

Mr. James Gordon Mitchell
Mr. Jimmy Chi Ming Lai
Mr. Chenkai Ling
Mr. Huan Zhou *(appointed on May 17, 2019)*
Mr. Xuyang Zhang *(retired on May 17, 2019)*

Independent Non-executive Directors:

Mr. Tin Fan Yuen
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

Pursuant to Article 16.2 of the Articles of Association, any Director so appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Huan Zhou, who was appointed as a non-executive Director on May 17, 2019, shall hold office until the first general meeting of the Company following his appointment, i.e. the Annual General Meeting and, being eligible, offer himself for re-election at the Annual General Meeting.

Pursuant to Article 16.18 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and will be eligible for re-election at that meeting. Accordingly, Mr. Andy Xuan Zhang, Mr. James Gordon Mitchell and Mr. Jimmy Chi Ming Lai shall retire by rotation at the Annual General Meeting and, all being eligible, offer themselves for re-election, except Mr. James Gordon Mitchell who does not opt for re-election due to his other business commitments which requires more of his dedication.

BOARD OF DIRECTORS

Biographical details of the Directors are set out in the section headed "Our Directors" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years or until the third annual general meeting of the Company since the Listing Date, whichever is sooner.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years from the date of the Prospectus/appointment date or until the third annual general meeting of the Company since the Listing Date/appointment date, whichever is sooner.

None of the Directors proposed for re-election at the Annual General Meeting has a service contract with any member of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by the execution of he/she duty in their offices or otherwise in relation thereto.

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

MANAGEMENT CONTRACTS

Save for service contracts of the Directors, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the underlying Shares

	Number of Shares				
Name of Director	**Beneficiary of a trust (other than a discretionary interest)**	**Personal interest**	**Number of underlying Shares interested**	**Total interests**	**Approximate percentage of issued Shares[6]**
Mr. Andy Xuan Zhang	–	–	257,601,260(L)[1]	257,601,260	4.04%
Mr. Dong Jiang	7,703,962(L)[2]	30,815,848(L)[2]	4,900,000(L)[3]	43,419,810	0.68%
Ms. Lily Li Dong	–	–	337,848(L)[4]	337,848	0.01%
Mr. Chester Tung Ho Kwok	–	–	675,697(L)[4]	675,697	0.01%
Mr. Tin Fan Yuen	–	–	675,697(L)[4]	675,697	0.01%

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to receive up to 257,601,260 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(2) Mr. Dong Jiang's entitlement to receive up to 38,519,810 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme subject to the conditions (including vesting conditions) of those options and the options are held by the Xindu Limited with Yidu PTC Limited as trustee ("**Xindu Trust**"). Until December 31, 2019, the Xindu Trust has transferred 30,815,848 Shares to Mr. Dong Jiang.

(3) Such interest represents the award shares granted to Mr. Dong Jiang under the Second Share Award Scheme adopted by the Company on September 20, 2018, and not been vested as at December 31, 2019.

(4) Such interest represents the award shares granted to each of Ms. Lily Li Dong, Mr. Chester Tung Ho Kwok and Mr. Tin Fan Yuen under the Second Share Award Scheme adopted by the Company respectively on September 20, 2018, and 168,924 Shares, 337,847 Shares and 337,847 Shares been vested respectively as at December 31, 2019.

(5) The letter "L" denotes long position in such underlying Shares.

(6) The percentages are calculated on the basis of 6,373,685,048 Shares in issue as at December 31, 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (CONTINUED)

(ii) Interests in the underlying shares of associated corporations of the Company

	Number of ordinary shares in Bitauto				
Name of Director	Beneficiary of a trust (other than a discretionary interest)	Personal interest	Number of underlying shares interested	Total interests	Approximate percentage of issued shares[3]
Mr. Andy Xuan Zhang	–	–	1,680,000(L)[1]	1,680,000	2.28%

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to shares related to outstanding options granted under Bitauto's employee incentive plans.

(2) The letter "L" denotes long position in such underlying shares.

(3) The percentage is calculated in the basis of 73,761,089 ordinary shares of Bitauto in issue as at December 31, 2019.

Save as disclosed above, as at December 31, 2019, so far as was known to the Directors and chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to be interested under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2019, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of Shares interested(5)	Approximate percentage of issued Shares(6)
Bitauto	Beneficial owner	496,544,440(L)	7.79%
Bitauto(1)	Interest of controlled corporation	2,290,292,130(L)	35.93%
Bitauto(2)	Interest of a party to an agreement regarding interest in the Company	637,334,205(L)	10.00%
Bitauto HK(1)	Beneficial owner	2,290,292,130(L)	35.93%
Tencent(3)	Interest of controlled corporation	1,312,059,280(L)	20.59%
THL H Limited(3)	Beneficial owner	931,604,940(L)	14.62%
JD Financial Investment Limited(4)	Beneficial owner	684,283,320(L)	10.74%
JD.com Investment Limited(4)	Interest of controlled corporation	684,283,320(L)	10.74%
JD.com(4)	Interest of controlled corporation	684,283,320(L)	10.74%
Max Smart Ltd(4)	Interest of controlled corporation	684,283,320(L)	10.74%
UBS Trustees (B.V.I.) Limited(4)	Trustee	684,283,320(L)	10.74%
劉強東	Beneficiary of a trust	684,283,320(L)	10.74%

Notes:

(1) Bitauto HK is a wholly-owned subsidiary of Bitauto. Accordingly, Bitauto is deemed to be interested in the same number of Shares in which Bitauto HK is interested under the SFO.

(2) Pursuant to the New Voting Proxy Agreement entered into between Bitauto and Tencent on November 15, 2019, Tencent granted to Bitauto a voting proxy over 637,334,205 Shares representing approximately 10% of the then issued share capital of the Company, solely for the purpose of enabling Bitauto to exercise in excess of 50% of the voting rights in the Company.

(3) THL H Limited which holds 931,604,940 Shares, Morespark Limited which holds 267,603,350 Shares, and Tencent Mobility Limited which holds 112,850,990 Shares, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which THL H Limited, Morespark Limited and Tencent Mobility Limited are interested under the SFO.

(4) JD Financial Investment Limited is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is controlled in terms of voting power as to 73.1% by Max Smart Ltd. which in turn is wholly-owned by UBS Nominees Limited, and UBS Nominees Limited is wholly-owned by UBS Trustees (B.V.I.) Limited. Accordingly, each of JD.com Investment Limited, JD.com, Max Smart Ltd, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the same number of Shares in which JD Financial Investment Limited is interested under the SFO.

(5) The letter "L" denotes long position in such Shares.

(6) The percentages are calculated on the basis of 6,373,685,048 Shares in issue as at December 31, 2019.

Save as disclosed above, as at December 31, 2019, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Cayman Companies Law which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of our Controlling Shareholders in our Company, during the year ended December 31, 2019, neither our Controlling Shareholders nor any of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and the Directors would comply with the relevant requirements of the Articles of Association and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries or the Consolidated Affiliated Entity and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2019.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Details about the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" contained in this annual report.

CONNECTED TRANSACTIONS

During the Reporting Period the Group engaged in certain transactions with the following persons that constituted connected transactions under the Listing Rules.

- Bitauto is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding an aggregate of approximately 43.72% of the total number of issued Shares. Pursuant to the New Voting Proxy Agreement, Tencent granted Bitauto a voting proxy over 637,334,205 Shares, representing approximately 10.00% of our total issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Bitauto and its associates are considered as connected transactions.

- Bitauto HK is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 35.93% of the total number of issued Shares. Pursuant to Rules 14A.07(1) of the Listing Rules, any transactions between the Company and Bitauto HK are considered as connected transactions.

- Tencent is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 20.59% of the total number of issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Tencent and its associates are considered as connected transactions.

- JD.com is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 10.74% of the total number of issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and JD.com and its associates are considered as connected transactions.

CONNECTED TRANSACTIONS (CONTINUED)

Investment into Dalian Rongxin

On August 2, 2019, Xinche Investment, Beijing Bitauto (an associate of Bitauto) and Dalian Rongxin (a wholly-owned subsidiary of Beijing Bitauto) entered into the investment agreement (the "**Investment Agreement**") pursuant to which Xinche Investment or its designated entity (the "**Investor**") will invest RMB475,000,000 into Dalian Rongxin (the "**Investment**"). After the Investment, the registered capital of Dalian Rongxin will become RMB1,475,000,000 and Dalian Rongxin will be held by Beijing Bitauto and the Investor as to approximately 67.80% and 32.20%, respectively. Accordingly, Dalian Rongxin will become an associated company of the Company. Given that Dalian Rongxin will not be a subsidiary of the Company, its financial results will not be consolidated into the financial statements of the Group.

By entering into the Investment Agreement, the Group can further strengthen the business cooperation with Dalian Rongxin while expanding its loan facilitation services, to the extent that Dalian Rongxin provides financing guarantee services to certain auto loans for which the Group provides loan facilitation services.

Further details of the Investment Agreement are set out in the announcement of the Company dated August 2, 2019.

Continuing Connected Transactions

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review and announcements but are exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Data services and traffic leads provided by Beijing Zhengdong Jinkong Information Services Co., Ltd. (北京正東金控信息服務有限公司) ("Zhengdong Jinkong") and its affiliates

On July 25, 2017, we entered into a data services framework agreement ("**Data Services Framework Agreement**") with Zhengdong Jinkong and its affiliates (associates of JD.com) whereby we receive, subject to applicable PRC laws and regulations, on a non-exclusive basis, (i) data services including data analytics and processing services, and (ii) traffic leads. The term of the agreement commenced on the date of the agreement and expired on December 31, 2019.

The data service fees are based on, among other things, the number of transactions, the number of inquiries and a fee for the data service (grouped as a data service package) that is provided for each inquiry.

The fees payable by us in relation to the traffic leads were based on, among other things, the amount of financing for each successful transaction that is derived from the traffic lead.

The fees payable under the Data Services Framework Agreement were determined after arm's length negotiation between the parties with reference to rates that were no less favorable than the rates offered by comparable independent third party service providers.

The annual cap for the Data Services Framework Agreement for the year ended December 31, 2019 was RMB34,220,000 and the aggregate fees paid by the Group pursuant to the Data Services Framework Agreement for the year of 2019 amounted to approximately RMB327,557.

Given that JD.com is a leading internet company, the data services they provide enable us to further understand the needs and creditworthiness of our potential customers. The data will also flag high risk individuals that may not be suitable for us to take on as customers. The ability to use their data services will (i) improve our services and market understanding; (ii) enable us to efficiently target and provide relevant services to potential customer; and (iii) assist with our credit risk management and hence further enhancing our business growth.

Further details of the Data Services Framework Agreement are set out in the Prospectus.

CONNECTED TRANSACTIONS (CONTINUED)

2. Cloud Data Management Framework Agreement with Tencent Cloud Computing (Beijing) Co., Ltd. (騰訊雲計算(北京)有限責任公司) ("Tencent Cloud Computing")

On August 10, 2017, Shanghai Lanshu and Tencent Cloud Computing (an associate of Tencent) entered into the cloud data management framework agreement (the "**Cloud Data Management Framework Agreement**") pursuant to which Tencent Cloud Computing agreed to provide cloud facilities and related services including, but not limited to (i) content distribution network related (CDN) services, and (ii) the provision of server and server maintenance services on a non-exclusive basis to Shanghai Lanshu. The scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Cloud Data Management Framework Agreement commenced on the date of the agreement and expired on December 31, 2019.

The service fee was determined after arm's length negotiation between the parties and with reference to the rates charged by independent third parties providing similar services. The service fee and calculation method were agreed between the parties based on the specific type and the usage of the facilities and services in each transaction. The terms were no less favorable to us than those which we could obtain from independent third party suppliers.

The annual cap for the Cloud Data Management Framework Agreement for the year ended December 31, 2019 was RMB5,000,000 and the aggregate fees paid by the Group pursuant to the Cloud Data Management Framework Agreement for the year of 2019 amounted to approximately RMB488,188.

Our business operations require cloud services and technical services provided by third parties. Tencent (and its associates) is a leading cloud service provider and has strong capability in provision of other technical services. We therefore entered into the Cloud Data Management Framework Agreement to govern any cloud services or technical services to be provided by Tencent to us.

Further details of the Cloud Data Management Framework Agreement are set out in the Prospectus.

3. Procurement of prepaid cards from Beijing Jingdong Century Information Technology Co., Ltd. (北京京東世紀信息技術有限公司) ("JD Century")

On November 5, 2016, Xinche Investment and JD Century (an associate of JD.com) entered into an agreement (the "**Prepaid Card Purchasing Agreement**") pursuant to which Xinche Investment will purchase prepaid cards that can be used to purchase goods on websites operated by JD.com. The term of the Prepaid Card Purchasing Agreement is from the date of the agreement until December 31, 2019.

The payment and any corresponding discount were based on the value of the prepaid cards purchased. The discount is a percentage discount based on total value of the prepaid cards purchased in one transaction.

The annual cap for the Prepaid Card Purchasing Agreement for the year ended December 31, 2019 was RMB51,000,000 and the aggregate fees paid by the Group pursuant to the Prepaid Card Purchasing Agreement for the year of 2019 amounted to approximately RMB624,900.

As part of our promotional activities, we offer discounts and gifts to our customers by means of prepaid cards purchased from JD.com. We chose JD.com's prepaid cards because of JD.com's market reach, popularity and recognition among consumers. Our Group is only one of the many purchasers of JD.com's prepaid cards. We believe that rewarding gift cards to customers is an effective method of promoting our business.

Further details of the Prepaid Card Purchasing Agreement are set out in the Prospectus.

CONNECTED TRANSACTIONS (CONTINUED)

4. Used auto services agreements with Beijing Jingzhengu Information Technology Co., Ltd. (北京精真估信息技術有限公司) ("Jingzhengu")

On July 31, 2017, Shanghai Yixin, Beijing Yixin, Beijing KKC and Jingzhengu (an associate of Bitauto) entered into a used auto valuation and inspection services strategic cooperation agreement ("**Used Auto Services Strategic Cooperation Agreement**") whereby Jingzhengu provides (i) onsite and online used car valuation and used car inspection services for the used cars financed or facilitated by us for a fixed fee per car, and (ii) a free portal on our website taoche.com that our consumers can use to compute or solicit a quotation for the value of a vehicle. The term of the Used Auto Services Strategic Cooperation Agreement commenced on the date of the agreement and expired on December 31, 2019. The Company expects to continue the transactions under the Used Auto Services Strategic Cooperation Agreement after December 31, 2019 and, through Beijing Yixin, renewed the above agreement by entering into the renewed Used Auto Services Strategic Cooperation Agreement ("**Renewed Used Auto Services Strategic Cooperation Agreement**") with Jingzhengu on December 12, 2019. The term of the Renewed Used Auto Services Strategic Cooperation Agreement is for three years commencing on 1 January 2020. Aside from the new annual caps described below, the terms of the Renewed Used Auto Services Strategic Cooperation Agreement (including the pricing policy) are substantially the same as those of the Used Auto Services Strategic Cooperation Agreement.

The fees payable by us to Jingzhengu outlined above has been determined based on arm's length discussions and by reference to rates charged by other independent third party service providers for comparable services. The service fee and calculation method were agreed between the parties based on the specific type and usage of the services in each transaction.

The annual cap for the Used Auto Services Strategic Cooperation Agreement for the year ended December 31, 2019 was RMB72,120,000 and the aggregate fees paid by the Group pursuant to the Used Auto Services Strategic Cooperation Agreement for the year of 2019 amounted to approximately RMB14,354,521.

The annual cap for the Renewed Used Auto Services Strategic Cooperation Agreement for each of the years ending December 31, 2020, 2021 and 2022 is RMB30,000,000, RMB40,000,000 and RMB50,000,000 respectively.

Jingzhengu provides services to the Group in relation to our used auto business, including onsite and online valuation and inspection. We require inspection services in order to meet our customers' demand for used automobile inspection services, as well as valuation services for the majority of used automobiles we finance as part of our risk management process and in order to accurately value our cars when they are leased to our customers.

Further details of the Renewed Used Auto Services Strategic Cooperation Agreement are set out in the announcement of the Company dated December 12, 2019.

CONNECTED TRANSACTIONS (CONTINUED)

5. Automobile leasing agreement with Beijing Bitauto Interactive

On August 31, 2017, Shanghai Yixin and Beijing Bitauto Interactive (an associate of Bitauto) entered into an automobile leasing framework agreement (the "**Automobile Leasing Framework Agreement**") whereby Beijing Bitauto Interactive (and/or its affiliates) leases automobiles from Shanghai Yixin in exchange for a fee. The term of the Automobile Leasing Framework Agreement is for three years commencing on the date of the agreement. The Company expects to continue the transactions under the Automobile Leasing Framework Agreement after December 31, 2019 and, through Shanghai Yixin, renewed the above agreement by entering into the renewed Automobile Leasing Framework Agreement (the "**Renewed Automobile Leasing Framework Agreement**") with Beijing Bitcar Interactive (an associate of Bitauto) on December 12, 2019. The term of the Renewed Automobile Leasing Framework Agreement is for three years commencing on 1 January 2020. Aside from the new annual caps described below, the terms of the Renewed Automobile Leasing Framework Agreement (including the pricing policy) are substantially the same as those of the Automobile Leasing Framework Agreement.

Under the Automobile Leasing Framework Agreement and the Renewed Automobile Leasing Framework Agreement, Shanghai Yixin and Beijing Bitauto Interactive will negotiate individual leasing contracts on a case-by-case basis. The fees payable to us by Beijing Bitauto Interactive outlined above has been determined based on arm's length discussion and with reference to market rates for leasing automobiles of comparable specifications, for a similar number of automobiles and duration.

Beijing Bitauto Interactive or Beijing Bitcar Interactive leases automobiles from us and posts consumer reviews and recommendations for different car models on websites run by Bitauto. In return, we receive a fee for the leased vehicles.

The annual cap for the Automobile Leasing Framework Agreement for the year ended December 31, 2019 was RMB21,600,000 and the aggregate fees paid to the Group pursuant to the Automobile Leasing Framework Agreement for the year of 2019 amounted to approximately RMB60,484.

The annual cap for the Renewed Automobile Leasing Framework Agreement for each of the years ending December 31, 2020, 2021 and 2022 is RMB10,000,000, RMB15,000,000 and RMB20,000,000 respectively.

Further details of the Renewed Automobile Leasing Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

6. Automobile financing cooperation framework agreement with WeBank Co., Ltd (深圳前海微眾銀行股份有限公司) ("WeBank")

On August 7, 2018, Xinche Investment and WeBank (an associate of Tencent) entered into an automobile financing cooperation framework agreement (the "**Automobile Financing Cooperation Framework Agreement**"), pursuant to which Xinche Investment and WeBank agreed to cooperate to deliver certain automobile financing services to their customers. WeBank will pay Xinche Investment service fees in consideration for the cooperation. The term of the Automobile Financing Cooperation Framework Agreement commenced from August 7, 2018 and would originally expire on December 31, 2019. On April 11, 2019, a supplemental agreement was entered into between Xinche Investment and WeBank to revise the 2019 annual cap to RMB275,000,000 and extend the expiration date of the Automobile Financing Cooperation Framework Agreement to December 31, 2020 with the 2020 annual cap of RMB275,000,000.

Through the platforms operated or controlled by Xinche Investment, Xinche Investment will assist WeBank in customer sourcing, products and services promotion, applicants' information collection and assessment, automobiles evaluation, title and pledge registration, and post-loan auto asset management. WeBank will review and assess loan applicants' loan applications, extend loans to qualifying loan applicants, and conduct post-loan management. The parties will enter into subsequent agreements to further specify the rights and obligations of the parties.

CONNECTED TRANSACTIONS (CONTINUED)

6. Automobile financing cooperation framework agreement with WeBank Co., Ltd (深圳前海微眾銀行股份有限公司) ("WeBank") (Continued)

The services fees to be payable by WeBank to the Group shall be calculated by multiplying the interest income WeBank generates from auto loan transactions facilitated by the Group and a predetermined rate, which is derived from the quotient of (a) the difference between the annualized interest rate that WeBank charges for the auto loan transactions facilitated by the Group (the "**Annualized Interest Rate**") and the annualized rate of return WeBank requires and (b) the Annualized Interest Rate. The annualized rate of return WeBank requires and the Annualized Interest Rate may be agreed from time to time between the parties with reference to prevailing market conditions and rates. The aggregate fees paid to the Group pursuant to the Automobile Financing Cooperation Framework Agreement and the supplemental agreement dated April 11, 2019 for the year of 2019 amounted to approximately RMB265,014,689.

By entering into the Automobile Financing Cooperation Framework Agreement and the supplemental agreement dated April 11, 2019 with WeBank, the Group can expand automobile finance cooperation partners and channels, serve more auto finance customers, and increase loan facilitation services revenues.

Further details of the Automobile Leasing Framework Agreement are set out in the Prospectus, and further details of the supplemental agreement are set out in the announcement of the Company dated April 11, 2019.

7. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive

On September 30, 2017, Xinche Investment and Beijing Bitauto Interactive (an associate of Bitauto) entered into a data services and promotion service cooperation framework agreement (the "**Cooperation Framework Agreement**"). The term of the Cooperation Framework Agreement is for three years from the date of the agreement. Pursuant to the Cooperation Framework Agreement, we provide to Beijing Bitauto Interactive and/or its affiliates (i) an online calculator that enables consumers to calculate financing costs for each automobile on a real time basis, (ii) data analytics report based on our own database of consumers and transactions, (iii) brand promotion for display of Bitauto's logos and websites, (iv) traffic support and (v) advertising agent services. In exchange for these services, Beijing Bitauto Interactive pays service fees to Xinche Investment. For the online calculator application, we provide an online tool that enables customers to calculate financing costs for new and used automobiles. This calculator application is posted on online websites and mobile apps belonging to Beijing Bitauto Interactive and/or its affiliates. In exchange for this application, we charge a fixed quarterly fee. For the data analytics services, we produce data analytics reports in exchange for a fixed fee based on the survey size. For the brand promotion services, we agree to promote Beijing Bitauto Interactive's brand and products on our online websites and mobile platforms. For traffic support services we provide traffic leads from our platform. For advertising agent services, we provide advertising services to Beijing Bitauto Interactive and/or its affiliates who place advertisements on our websites on behalf of its customers. The fees were determined after arm's length negotiation between the parties.

CONNECTED TRANSACTIONS (CONTINUED)

7. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive (Continued)

The annual caps for and the aggregate fees paid to the Group pursuant to the Cooperation Framework Agreement for the year of 2019 are as follows:

	Annual Cap amount for the year ended December 31, 2019 *(RMB)*	**Aggregated Annual Amount for the year ended December 31, 2019** *(RMB)*
Online calculator tool	60,000,000	–
Data analytics report services	14,000,000	14,000,000
Brand promotion services	20,000,000	–
Traffic support services	72,000,000	–
Advertising agent services	16,000,000	5,086,264
Total	182,000,000	19,086,264

The Company expects to continue the transactions under the Cooperation Framework Agreement after December 31, 2019 and, through Xinche Investment, renewed the above agreement by entering into the renewed Cooperation Framework Agreement (the "**Renewed Cooperation Framework Agreement**") with Beijing Bitcar Interactive on December 12, 2019. The term of the Renewed Cooperation Framework Agreement is for three years commencing on 1 January 2020.

Due to the business considerations of Beijing Bitauto Interactive, the online calculator tool service which the Group used to provide to Beijing Bitauto Interactive under the Cooperation Framework Agreement has been discontinued since January, 2018. The brand promotion services, traffic support services and advertising agent services under the Cooperation Framework Agreement have been combined and categorized now as advertising services under the Renewed Cooperation Framework Agreement to better account for and reflect the comprehensive advertising services provided by the Group. The annual caps for the Renewed Cooperation Framework Agreement are as follows:

		Annual Cap amount	
	for the year ending December 31, 2020 *(RMB)*	**for the year ending December 31, 2021** *(RMB)*	**for the year ending December 31, 2022** *(RMB)*
Data services	14,000,000	14,000,000	14,000,000
Advertising services	60,000,000	70,000,000	80,000,000
Total	74,000,000	84,000,000	94,000,000

The service fees with regard to the data services are calculated on a fixed fee based on the scale of the data study and the service fees with regard to promotion services are calculated based on the cost per click, the cost per reach, the cost per download, the length of advertising and the cost per sale made from the advertising.

CONNECTED TRANSACTIONS (CONTINUED)

7. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive (Continued)

Aside from the new annual caps, termination of the online calculation tool service and the new grouping of the data and advertising services described above, the terms of the Renewed Cooperation Framework Agreement (including the pricing policy) are substantially the same as those of the Cooperation Framework Agreement.

By entering into the Renewed Cooperation Framework Agreement, the Company can continue its long-term cooperation with Bitauto and better categorise and account for the services provided by the Group. Given the complementary nature of the services we provide to Bitauto's customers through our online portals and websites, we expect that we will continue to provide these services to Bitauto and its associates.

Further details of the Renewed Cooperation Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

8. Payment Services Framework Agreement with Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司)("Tenpay")

Reference is made to the Prospectus in relation to the payment related services provided by ceratin associates of Tencent to members of the Group since July 2017. Pursuant to Rule 14A.76(1) of the Listing Rules, the above payment related services constituted a de minimis transaction and as such, were exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On September 12, 2019, in view of the increasing use of Weixin Pay (微信支付) by customers of the Group and hence increasing business transactions with Tenpay, the Company entered into the payment services framework agreement (the "**Payment Services Framework Agreement**") with Tenpay to set (i) the annual caps and (ii) a term from September 12, 2019 to December 31, 2021 for the payment related services provide by Tenpay to the Group.

Tenpay provides certain payment related services to the Group including but not limited to payment channel services for customers of the Group, such as Weixin Pay (微信支付). In exchange, the Group pays a handling fee to Tenpay. The handling fee payable by the Group was determined after arm's length negotiation between the parties and with reference to the market rates for payment services of a similar nature with regard to the number of customers and amounts paid. The handling fee is calculated as a percentage of the amount paid by customers using the specific payment services, and will be settled by either deducting credits brought forward or making real-time deduction from the payments made by customers of the Group.

The annual cap for the Payment Services Framework Agreement for each of the years ended December 31, 2019, 2020 and 2021 is RMB20,000,000, RMB30,000,000 and RMB40,000,000 respectively. The aggregate fees paid to the Group pursuant to the Payment Services Framework Agreement for the year of 2019 amounted to approximately RMB6,913,317.

Weixin Pay (微信支付) is gaining popularity among Chinese internet users in recent years and has become a leading mobile payment platform in China. In view of the increasing usage of Weixin Pay (微信支付) by our customers, the entering into of the Payment Services Framework Agreement enable the Group to continue the long-term cooperation with and benefit from the specific payment services provided by Tencent, set the annual caps which better reflect the current expectation and trend for the increased popularity of such payment channel services, and for better governing of the conduct of the continuing connected transaction.

Further details of the Payment Services Framework Agreement are set out in the announcement of the Company dated September 12, 2019.

CONNECTED TRANSACTIONS (CONTINUED)

9. Advertising Framework Agreement with Beijing Bitauto Interactive

On December 12, 2019, Beijing Yixin entered into the advertising framework agreement (the "**Advertising Framework Agreement**") with Beijing Bitauto Interactive, pursuant to which Beijing Bitauto Interactive or its affiliated companies shall provide certain services to the Group including but not limited to brand, product and website promotion on online and offline platforms which Beijing Bitauto Interactive or its affiliated companies operates, controls or cooperates with. In exchange, the Group shall pay Beijing Bitauto Interactive or its affiliated companies a fee. The term of the Advertising Framework Agreement is for three years commencing on 1 January 2020.

The fee payable by the Group under the Advertising Framework Agreement was determined after arm's length negotiation between the parties and with reference to the market rates for advertising services of comparable specifications, for a similar number of days, time and format of advertisement. The terms were no less favourable to the Company than those which could be obtained from independent third party suppliers. With regard to promotion services, the service fees are calculated based on the cost per click, the cost per reach, the cost per download, the cost for the duration of advertising, the cost per sales made from the advertising, the complexity of the advertisement and the distribution means of the advertisement.

The annual cap for the Advertising Framework Agreement for each of the years ending December 31, 2020, 2021 and 2022 is RMB100,000,000, RMB105,000,000 and RMB110,000,000 respectively.

By entering into the Advertising Framework Agreement, the Company can utilise the leading automobile promotion platform of Bitauto and increase its potential to reach new customers.

Further details of the Advertising Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

Confirmation from the independent non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (9) above (the "**Continuing Connected Transactions**"), and confirmed the Continuing Connected Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the continuing connected transactions of the Group for the year ended December 31, 2019, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

CONNECTED TRANSACTIONS (CONTINUED)

Confirmation from the Auditor (Continued)

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into by the Group for the year ended December 31, 2019:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the their attention that causes them to believe that the transactions were not, in all material respects in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A summary of all significant transactions with related parties (the "**Related Party Transactions**") entered into by the Group during the Reporting Period is contained in Note 32 to the consolidated financial statements. During the Reporting Period, only (i), (iii), (v) and (vi) of the Related Party Transactions in Note 32(c) therein constituted connected transactions or continuing connected transactions of the Company which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

10. New Contractual Arrangements

Reference is made to the waiver granted by the Stock Exchange regarding the strict compliance with the applicable disclosure, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entity was treated as the Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates were treated as the Company's "connected person".

Reasons for the New Contractual Arrangements

Our Company operates an online automobile transaction platform in China and is primarily engaged in providing automobile transaction platform and self-operated automobile financing services, through its online channels, transaction service teams, and auto dealer cooperative network across China. The operation of mobile apps and the provision of online information services (the "**Relevant Businesses**") are subject to foreign investment restrictions under PRC law.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

Reasons for the New Contractual Arrangements (Continued)

Our Consolidated Affiliated Entity is Beijing Yixin, which was established under the laws of the PRC. We do not directly own any equity interest in Beijing Yixin, which is currently held by by Tianjin Jushen Information Technology Co., Ltd. (天津聚莘信息技術有限公司) ("**Tianjin Jushen**"), Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) ("**Shenzhen Tencent**") and Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) ("**Beijing JD**") as to 55.7%, 26.6% and 17.7%, respectively (the "**Nominal Shareholders**"), pursuant to the New Contractual Arrangements (as described below). Shenzhen Tencent, Beijing JD and Tianjin Jushen are all domestic PRC companies. Tianjin Jushen is wholly-owned by Mr. Chen Yongzhi (陳永智), who is a PRC citizen and the vice president of the asset management department of the Group.

Beijing Yixin was established on January 9, 2015. The main business of Beijing Yixin is the provision of Internet information services through mobile-based apps including Yixin Finance (易鑫金融), and websites, including daikuan.com. Beijing Yixin currently holds an ICP License.

Since the Relevant Businesses are classified as foreign investment restricted under the applicable PRC laws, regulations or rules and there is no clear guidance or interpretation on applicable qualification requirements, we cannot hold any direct interest in Beijing Yixin, which currently holds and will hold certain licenses and permits required for the operation of the Relevant Businesses.

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on August 10, 2017. Under the Contractual Arrangements, Beijing KKC had acquired effective control over the financial and operational policies of Beijing Yixin and had become entitled to all the economic benefits derived from their operations. On October 4, 2018, we entered into the New Contractual Arrangements (which have terms and conditions substantially the same as the Contractual Arrangements) mainly for the change of one of the nominal shareholders of Beijing Yixin from Mr. Bo Han to Tianjin Jushen. The Contractual Arrangements were terminated concurrently. We believe that the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC.

Our Directors believe that the New Contractual Arrangements are fair and reasonable because: (i) the New Contractual Arrangements were freely negotiated and entered into between the parties thereto, (ii) by entering into the Exclusive Business Cooperation Agreement with Tianjin Kars (which is a PRC subsidiary of the Company), Beijing Yixin will enjoy better economic and technical support from us, as well as a better market reputation, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Risks relating to the Two Contractual Arrangements

We believe the following risks are associated with the Two Contractual Arrangements. Further details of these risks are set out on pages 57 to 64 of the Prospectus and the announcement of the Company dated October 4, 2018.

- If the PRC government finds that the agreements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these 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.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

Risks relating to the Two Contractual Arrangements (Continued)

- We rely on contractual arrangements with our variable interest entity and its shareholders for certain of our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

- We conduct our online business operation in the PRC through our Consolidated Affiliated Entity by way of the contractual arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws and our ability to enforce the equity interest pledge agreement between us and the variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

- The shareholders of our Consolidated Affiliated Entity may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- Contractual arrangements with our Consolidated Affiliated Entity and our principal shareholders may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and our Consolidated Affiliated Entity owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

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

New Contractual Arrangements in place

The New Contractual Arrangements which were respectively in place during the Reporting Period and a brief description of the major terms of the structured contracts under the New Contractual Arrangements are as follows:

1. Exclusive business cooperation agreements

   Beijing Yixin entered into a new exclusive business cooperation agreement with Tianjin Kars on October 4, 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Beijing Yixin agreed to engage Tianjin Kars as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, equipment, leasing, marketing consultancy, customer order management and customer services, system integration and maintenance, in exchange for service fees. Under these arrangements, the service fees shall consist of an amount to be determined by Tianjin Kars and Beijing Yixin in writing through negotiation after consideration of certain factors.

   As of December 31, 2019, the accumulated losses of Beijing Yixin amounted to RMB488 million (2018: RMB334 million). Tianjin Kars enjoys all the economic benefits derived from the businesses of Beijing Yixin and bears Beijing Yixin's business risks. If Beijing Yixin runs into financial deficit or suffers severe operation difficulties, Tianjin Kars will provide financial support to Beijing Yixin.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

New Contractual Arrangements in place (Continued)

2. Exclusive option agreements

Beijing Yixin and each of the Nominal Shareholders entered into a new exclusive option agreement with Tianjin Kars on October 4, 2018 (the "**Exclusive Option Agreements**"), pursuant to which the Nominal Shareholders granted Tianjin Kars an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "**designee**") to purchase the equity interests in Beijing Yixin (the "**Optioned Interests**") then held by Nominal Shareholders once or at multiple times at any time in part or in whole at Tianjin Kars's sole and absolute discretion, to the extent permitted under the applicable PRC laws. Where Tianjin Kars chooses to purchase the Optioned Interest, the Nominal Shareholders shall cause Beijing Yixin to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Nominal Shareholder's transfer of the Optioned Interests to Tianjin Kars and/or its designee.

3. Equity interest pledge agreements

Tianjin Kars, each of the Nominal Shareholders and Beijing Yixin entered into a new equity pledge agreements on October 4, 2018 (the "**Equity Interest Pledge Agreements**"), pursuant to which each of the Nominal Shareholders agreed to pledge all their respective equity interests in Beijing Yixin that they own, including any interest or dividend paid for the shares, to Tianjin Kars as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts of Beijing Yixin and each of the Nominal Shareholders under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

4. Powers of attorney

Beijing Yixin, each of the Nominal Shareholders and Tianjin Kars entered into a new power of attorney on October 4, 2018 (the "**Powers of Attorney**"), pursuant to which each of the Nominal Shareholders irrevocably appointed Tianjin Kars (as well as its successors, including a liquidator, if any, replacing Tianjin Kars) or its designee(s) (including its directors) as their exclusive agent and attorney to act on their behalf on all matters concerning Beijing Yixin and to exercise all of its rights as a registered shareholder of Beijing Yixin.

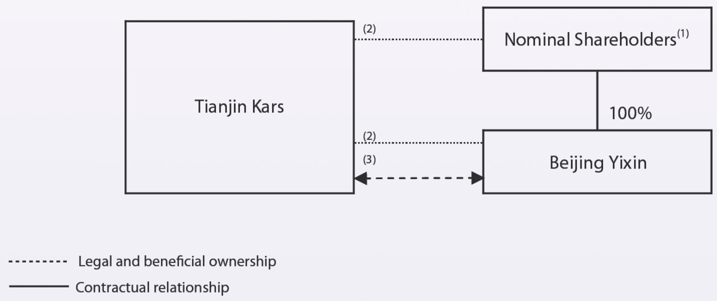
CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

New Contractual Arrangements in place (Continued)

4. Powers of attorney *(Continued)*

The following simplified diagram illustrates the flow of economic benefits from Beijing Yixin to our Group stipulated under the New Contractual Arrangements:



Notes:

(1) The Nominal Shareholders of Beijing Yixin are Tianjin Jushen, Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.

(2) The Nominal Shareholders executed the powers of attorney in favor of Tianjin Kars to exercise all shareholders' rights in Beijing Yixin. Please refer to the announcement of the Company dated October 4, 2018 for further details.

The Nominal Shareholders executed exclusive options in favor of Tianjin Kars to acquire all or part of the equity interest in and/or assets of Beijing Yixin. Please refer to the announcement of the Company dated October 4, 2018 for further details.

The Nominal Shareholders granted first priority security interest in favor of Tianjin Kars over the entire equity interest in Beijing Yixin. Please refer to the announcement of the Company dated October 4, 2018 for further details.

(3) Beijing Yixin will pay services fees to Tianjin Kars in exchange for business support and technical and consulting services. Please refer to the announcement of the Company dated October 4, 2018 for further details.

Apart from the above, there are neither other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the financial year ended December 31, 2019, nor material change in the New Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2019.

For the year ended December 31, 2019, none of the New Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the New Contractual Arrangements has been removed.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

New Contractual Arrangements in place (Continued)

We have been advised by our PRC legal advisor that the New Contractual Arrangements do not violate the relevant PRC regulations.

The revenue of Beijing Yixin for the years ended December 31, 2019 and 2018 were RMB67 million and RMB151 million, respectively.

For the year ended December 31, 2019 the revenue of Beijing Yixin amounted to approximately 1.2% (2018: 2.7%) of the revenue for the year of the Group.

Mitigation actions taken by the Company

Our management works closely with Tianjin Jushen, Shenzhen Tencent and Beijing JD and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the New Contractual Arrangements during the Reporting Period.

The extent to which the New Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the New Contractual Arrangements are subject to the restrictions as set out on pages 193 to 197 of the Prospectus and the announcement of the Company dated October 4, 2018.

Listing Rule Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the New Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange and annual review

The Stock Exchange has granted the Company a waiver (the "**IPO Waiver**") pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the transactions under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

Waiver from the Stock Exchange and annual review (Continued)

(c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) our Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Since the New Contractual Arrangements are reproduced from the Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the waiver from the requirements of Chapter 14A of the Listing Rules as set out in the IPO Waiver and are exempt from (i) the announcement, circular and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the New Contractual Arrangements to three years or less under 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver.

Qualification requirements

PRC law currently limits foreign ownership of companies that provide value-added telecommunications services (including Internet information services other than operating E-commerce business, Domestic multi-party communication services, Store-and-forward business, and Call center business) in the PRC up to 50%. Moreover, for a foreign investor to obtain any equity interest in a value-added telecommunications company in China, it must satisfy the Qualification Requirements. Foreign investors that meet these requirements must obtain approvals from the MIIT or its authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued value-added telecommunications business operating licenses to only a limited number of foreign-invested companies. If Beijing Yixin has a foreign investor as its shareholder, such foreign investor must fulfill the aforementioned requirements and Beijing Yixin shall apply a new ICP License from the MIIT. The MIIT will have discretion as to whether to grant the license. None of our Company or any of its offshore subsidiaries currently satisfies the qualification requirement relating to value-added telecommunications businesses.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

Efforts and actions undertaken to comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications business operations for the purposes of being qualified, as early as possible, to acquire equity interests in Beijing Yixin when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in the PRC. We are in the process of expanding our overseas value-added telecommunications business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

1. Yixin HK has been incorporated in Hong Kong since November 2014 for the purposes of establishing and expanding our operations overseas;

2. We have registered several trademarks outside the PRC for the promotion of our Relevant Businesses overseas;

3. Yixin HK has set up an office and employed staffs in Hong Kong for the expansion of our operations overseas;

4. Our Company has constructed its overseas website, www.yixincars.com, which is primarily for introducing our Group's business to users and investor relations purpose. The Company plans to utilize this website to help overseas investors to better understand our products and business, and our website will have links to re-direct the users to our domestic website. Through this overseas website, we can capture and analyze overseas user data in order to provide helpful insights for our overseas expansion plans; and

5. Our Company has commenced feasibility studies on the further development of marketing to overseas markets and potential investments or acquisitions in order to optimize its strategic plan for expanding its current businesses to overseas markets.

Subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirement, our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate for gradually building up a track record to meet the Qualification Requirements as our Company will have experience in providing value-added telecommunications services in overseas markets, which is in accordance with the FITE Regulations.

We, our PRC Legal Advisor, the Joint Sponsors' Hong Kong and U.S. law legal advisor and the Joint Sponsors' PRC legal advisor conducted an interview with the Beijing Municipal Communications Administration on June 14, 2017, during which it confirmed that steps such as those taken by us above (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to value-added telecommunication services) are generally deemed to be one of the factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations.

CONNECTED TRANSACTIONS (CONTINUED)

10. New Contractual Arrangements (Continued)

Efforts and actions undertaken to comply with the Qualification Requirements (Continued)

Since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and qualification requirements, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the New Contractual Arrangements between Tianjin Kars, the Company's wholly-owned subsidiaries in the PRC, on the one hand, and Beijing Yixin and its respective shareholders, on the other hand. The New Contractual Arrangements allow the results of operations and assets and liabilities of Beijing Yixin and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were wholly-owned subsidiaries of our Group.

Confirmation from the independent non-executive Directors

Our independent non-executive Directors have reviewed the New Contractual Arrangements and confirmed that:

(i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the New Contractual Arrangements;

(ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

(iii) no new contracts were entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period; and

(iv) the New Contractual Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the New Contractual Arrangements of the Group for the year ended December 31, 2019, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the New Contractual Arrangements during the Reporting Period:

(a) nothing has come to their attention that causes them to believe that the New Contractual Arrangements have not been approved by the Board; and

(b) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the New Contractual Arrangements governing such transactions.

The actual amount of the transactions pursuant to the New Contractual Arrangements during the Reporting Period, which are eliminated in the consolidated financial statements, is RMB25,100,102.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

Due to diversity in the nature of our businesses, we have various customers for our businesses.

For our transaction platform businesses, our customers primarily include consumers and auto finance partners for loan facilitation services, and automakers, auto dealers, auto finance partners, and insurance companies for advertising and other services.

For our financing and leasing businesses, customers primarily include consumers.

For the year ended December 31, 2019, the revenue amounts from the Group's five largest customers accounted for 22% (2018: 10%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 6% (2018: 4%) of the Group's total revenue.

During the year ended December 31, 2019, our largest customer from which we derived 6% of our revenues was Industrial and Commercial Bank of China.

During the Reporting Period, none of our Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our top five customers.

Suppliers

Our suppliers primarily include auto dealers, which supply us with automobiles primarily for our self-operated financing business, as well as banks and other financial institutions, which primarily fund our self-operated financing business. To a lesser extent, our suppliers also include online traffic suppliers, data suppliers, hardware vendors, used car valuation service providers, and auto asset management professionals.

We are dedicated to work closely with our top suppliers to strengthen our relationships with them. Purchases from our five largest suppliers excluding banks, financial institutions and ABSs holders for the year ended December 31, 2019 accounted for approximately 22% (2018: 23%) of our total purchase amount. Our largest supplier for the year ended December 31, 2019 accounted for approximately 8% (2018: 6%) of our total purchase amount.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued Shares had any interest in the Group's five largest suppliers.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred after December 31, 2019 and up to the date of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the ESG Report in this annual report.

PUBLIC FLOAT

The Company has obtained a waiver from the Stock Exchange and the Stock Exchange has accepted, under Rule 8.08 (1)(d) of the Listing Rules, a lower public float percentage of 22.99% of our issued share capital.

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float as permitted by the Stock Exchange.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, June 16, 2020 to Friday, June 19, 2020 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 15, 2020.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

By the Order of the Board
Andy Xuan Zhang
Chairman

March 26, 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to Shareholders.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

The Company adopted the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. In the opinion of the Directors, throughout the During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code, save and except for code provision A.2.1 which state that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details of the deviation are set out in the sections headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding securities transactions – the Company's Securities Dealing Code, regarding Directors' and relevant employees' dealings in the Company's securities on terms no less exacting than those set out in the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealing Code throughout the year ended December 31, 2019.

The Company's Securities Dealing Code also applies to all relevant employees of the Company who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Company's Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board composition

The Board currently comprises nine members as follows:

Executive Directors:	Mr. Andy Xuan Zhang *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)* Mr. Dong Jiang *(President)*
Non-executive Directors:	Mr. James Gordon Mitchell Mr. Jimmy Chi Ming Lai Mr. Chenkai Ling Mr. Huan Zhou
Independent Non-executive Directors:	Mr. Tin Fan Yuen *(Chairman of the Remuneration Committee and Member of the Audit Committee)* Mr. Chester Tun Ho Kwok *(Chairman of the Audit Committee and Member of the Nomination Committee)* Ms. Lily Li Dong *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

The biographical information of the Directors is set out in the section headed "Our Directors" of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Andy Xuan Zhang is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Zhang has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Furthermore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Terms of Directors and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, subject to renewal after the expiry of the then current term. Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of three years, subject to renewal after the expiry of the then current term.

Under the Company's Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed to fill a casual vacancy or as an addition to the Board shall not be taken into account in determining which Directors are to retire by rotation. The retiring Directors shall be eligible for re-election thereat.

The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities and Accountabilities of the Directors

The Board is responsible for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading materials on changes and developments to the Group's business and to the legislative and regulatory environments relating to the operation of the Group would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. During the Reporting Period, all Directors have provided their records of the other training received to the Company.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the websites of the Company (www.yixincars.com) and the Stock Exchange (www.hkexnews.hk) and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section "Board of Directors" in this Corporate Governance Report.

Audit Committee

The main duties of the Audit Committee include:

- assisting the Board in reviewing the financial information and reporting process of the Company;
- monitoring and reviewing risk management and internal control systems of the Company through the internal audit department;
- reviewing the effectiveness of the internal audit function of the Company;
- reviewing the scope of audit and appointment of external auditor of the Company; and
- supervising internal investigation and reviewing the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee met 4 times with all members of the committee attended. The Audit Committee's work performed during the Reporting Period including: reviewed the Company's annual financial results and annual report for the year ended December 31, 2018 and the interim results and interim report for the six months ended June 30, 2019, the significant issues on the financial reporting, operational and compliance matters, risk management and internal control systems and internal audit function, terms of engagement and remuneration of external auditor, continuing connected transactions of the Group, arrangements for employees to raise concerns about possible improprieties and change of the chief financial officer.

Remuneration Committee

The primary functions of the Remuneration Committee include:

– reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

– reviewing and make recommendations to the Board on the remuneration of the non-executive Directors;

– reviewing and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and

– establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee met thrice with all members of the committee attended to assess the performance of Directors and review the remuneration policy and package of the executive Directors and senior management of the Group, and to review the remuneration of the non-executive Directors.

The remuneration of the executive Directors, who are regarded as senior management of the Company, are set out in Note 33 to the consolidated financial statements in this annual report.

Nomination Committee

The principal duties of the Nomination Committee include:

– reviewing the structure, size and composition of the Board;

– developing and formulating relevant procedures for the nomination and appointment of Directors;

– making recommendations to the Board on the appointment and succession planning of Directors; and

– assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board diversity policy (the "**Diversity Policy**") adopted by the Company, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company embraces the benefits of having a diverse Board to enhance its performance. The Company sees increasing diversity, including gender diversity, at the Board level as an essential element in maintaining its competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

The Diversity Policy sets out the approach to achieve diversity of the Board, pursuant to which the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. In particular, the Nomination Committee will identify, including gender diversity, and make recommendations to the Board to implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, their skills will prepare them for board positions.

The Board diversity policy is available on the Company's website (www.yixincars.com). The Nomination Committee will review the Diversity Policy, and make revision recommendation to the Board for consideration and approval as appropriate, to ensure its effectiveness.

The nomination policy adopted by the Company (the "**Nomination Policy**"), which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations, is reproduced as follows.

Nomination Policy

1. *Objective*

1.1 The nomination committee (the "**Nomination Committee**") of Yixin Group Limited (the "**Company**") shall identify, consider and nominate suitable individuals to the board (the "**Board**") of directors (the "**Directors**") to consider and to make recommendations to the shareholders of the Company (the "**Shareholders**") for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.

1.2 The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (the "**Succession Planning**") for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

1.3 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.4 The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

2. *Selection Criteria*

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability and the potential contribution to the Board of a proposed candidate:

- Reputation for integrity;
- Professional qualifications and skills;
- Accomplishment and experience in the automobile retail transaction and financing markets;
- Commitment in respect of available time and relevant contribution;

- Independence of proposed independent non-executive Directors; and

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person to the Board, as it considers appropriate.

3. *Nomination Procedures*

3.1 The company secretary of the Company (the "**Company Secretary**") shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board, if any, for consideration by the Nomination Committee prior to its meeting.

3.2 The Nomination Committee shall nominate candidates for the consideration and recommendation of the Board. The Nomination Committee may propose candidates who are not nominated by the Board. The Board shall have the final decision on all matters in relation to its nomination of any candidates to stand for election at a general meeting.

3.3 The candidate nominated by the Board to stand for election at a general meeting (the "**Board Candidate**", together with the Shareholder Candidate defined in paragraph 3.6 below, the "**Candidate**") will submit the necessary personal information, together with his/her written consent to be elected as a Director and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The Nomination Committee may request the Board Candidate to provide additional information and documents, if considered necessary.

3.4 A circular will be sent to the Shareholders (the "**Shareholder Circular**") as to provide information of the Board Candidate, and to invite nominations from the Shareholders. The Shareholder Circular will include (i) the period for lodgment (the "**Lodgment Period**") of nominations by the Shareholders; (ii) the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration.

3.5 Until the issue of the Shareholder Circular, the Board Candidate shall not assume that he/she has been nominated by the Board to stand for election at the general meeting.

3.6 A Shareholder can serve a notice (the "**Notice**") to the Company Secretary within the Lodgment Period to propose a resolution to elect another person (the "**Shareholder Candidate**") other than the Board Candidate as a Director. The Notice (i) must include the personal information of the Shareholder Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Shareholder Candidate indicating his/her consent to be elected and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The particulars of the Shareholder Candidate will be sent to the Shareholders for information by a supplementary circular.

3.7 The Candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.8 The resolution for election of Directors for the Shareholder Candidate shall take the same form as for the Board Candidate.

4. *Succession Planning*

4.1 The objectives of the Succession Planning are to ensure an effective and orderly succession of Directors and to maintain the balance of diversity, collective knowledge and skills of the Board necessary for the effective governance of the Company.

4.2 The following considerations will be used by the Nomination Committee in making recommendations for the Succession Planning:

- Required knowledge, skills and experience at a full Board composite level to effectively fulfill the Board's legal role and responsibilities;
- An appropriate balance of diversity across the Board, as set out in Section 2.1 and Section 4 of the Nomination Policy;
- Personal qualities of each candidate with reference but not limited to the factors listed in Section 2.1 of the Nomination Policy;
- Continuity through a smooth succession of Directors; and
- Compliance with the relevant legal and regulatory requirements.

4.3 The above considerations are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee will review the Succession Planning together with the Board periodically, and recommend revisions, if any, to the Board for consideration and approval.

5. *Confidentiality*

Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or an employee of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the Shareholder Circular, as the case may be, is issued. Following the issue of the Shareholder Circular, the Nomination Committee or the Company Secretary or other employee of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and the Candidate should not be disclosed.

6. *Monitoring and Reporting*

The Nomination Committee will monitor the implementation of the Nomination Policy and report annually a summary of the Nomination Policy including the nomination procedures, criteria for selection, the board diversity policy and the progress made towards achieving the objectives set in the Nomination Policy in the company's corporate governance report contained in the Company's annual report.

7. *Review of the Nomination Policy*

In order to ensure the Nomination Policy remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practice, the Nomination Committee will review the Nomination Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

During the Reporting Period, the Nomination Committee met once with all members of the committee attended to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and the Nomination Policy as well as to consider and make recommendations to the Board on the qualifications of the Directors standing for re-election at the annual general meeting of the Company held in 2019 and the appointment of Mr. Huan Zhou as a non-executive Director.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD MEETINGS

The attendance records of the Directors at Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings and the annual general meeting held during the Reporting Period are as follows:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Andy Xuan Zhang	12/12	N/A	3/3	1/1	1/1
Mr. Dong Jiang	11/12	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. James Gordon Mitchell	10/12	N/A	N/A	N/A	1/1
Mr. Jimmy Chi Ming Lai	9/12	N/A	N/A	N/A	1/1
Mr. Chenkai Ling	10/12	N/A	N/A	N/A	1/1
Mr. Huan Zhou*	8/8	N/A	N/A	N/A	N/A
Mr. Xuyang Zhang#	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Tin Fan Yuen	11/12	4/4	3/3	N/A	0/1
Mr. Chester Tun Ho Kwok	12/12	4/4	N/A	1/1	1/1
Ms. Lily Li Dong	12/12	4/4	3/3	1/1	1/1

* appointed with effect from the conclusion of the annual general meeting of the Company held on May 17, 2019.

\# retired at the conclusion of the annual general meeting of the Company held on May 17, 2019.

In addition, a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was held.

DIVIDEND POLICY

The dividend policy adopted by the Company (the "**Dividend Policy**"), which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders, is reproduced as follows.

Dividend Policy

Subject to the Cayman Islands Companies Law and the articles of association (as amended from time to time) of Yixin Group Limited (the "**Company**"), the board (the "**Board**") of directors (the "**Directors**") of the Company has absolute discretion on whether to distribute dividends. In addition, the shareholders of the Company (the "**Shareholders**") may by ordinary resolution declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution including share premium, and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend upon the Company's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board considers relevant.

Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from our subsidiaries and our consolidated affiliated entities. Regulations in China may restrict the ability of our Chinese subsidiaries and consolidated affiliated entities to pay dividends to the Company.

If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares, or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares; and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, installments or otherwise.

This dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board oversees risk management functions directly and also through the Audit Committee and the senior management, and will assess the effectiveness of the risk management and internal control systems at least once a year.

The senior management is responsible for the overall implementation of risk management and internal control plans and policies determined by the Board and managing the risks in connection with all of the Company's business operations. The senior management identifies, assess and take measures against any significant risks that the Company is facing, and reviews the risk assessment report on a quarterly basis and reports to the Board on a semi-annual basis.

The Audit Committee assists the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate.

The internal audit department oversees the risk management and internal control systems under the supervision of the Audit Committee by performing independent audit on the effectiveness and completeness of the risk management and internal control systems. It identifies any material risks and makes recommendations on the improvement and rectification plans and measures and conducts follow-up audits with regard to the identified issues to ensure that the planned remedial measures have been duly implemented. The internal audit department operates independently from the Company's business centers and departments and directly reports the audit findings and follow-up status to the Audit Committee on a quarterly basis.

Disclosure of Inside Information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquires.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Continuing Connected Transactions

The Company has put in place appropriate policies and procedures to monitor and ensure its continuing connected transactions are entered into and conducted in accordance with the terms of the relevant agreements and the requirements of the Listing Rules.

Reference is made to the Prospectus in relation to the following internal control procedures adopted by the Group for the continuing connected transactions of the Company:

(a) No member of the Group shall conduct any connected transactions, (i) which are either not on arm's length terms or (ii) which are on arm's length terms but are in excess of 5% of the Group's net assets or if aggregated with all other connected transactions in the same fiscal year will exceed 20% of annual budgeted revenue of the Group for the fiscal year, without the affirmative consent or approval by the majority of the Directors. For further details, see the section headed "History and Corporate Structure – Pre-IPO Investments" of the Prospectus.

(b) The Company has established internal control mechanisms to identify connected transactions. If the Group enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable Listing Rules. For further details, see the section headed "Relationship with Our Controlling Shareholders – Corporate Governance Measures" of the Prospectus.

The Group has adopted clear pricing policies and guidelines for its continuing connected transactions and procedures for determining the price and terms of the transactions in accordance with such pricing policies and guidelines. For purchases of products or services, the operations department of the Group would obtain quotations for comparable products or services from not less than two independent third parties as well as from the connected person in question; it would then carry out an analysis of the options available taking into account a range of factors, such as the pricing, payment terms, expertise, capabilities and reputation of the suppliers and the Group's past business experience with the suppliers (if any); the results of such analysis would be reported to the senior management of the Group; the senior management would then form a view as to which option is most favourable to the Group and would then report its findings to the Board for approval. For sales of products or services, the Group either applies pricing more favourable to the Group to a connected person as compared to the pricing offered to other customers or charges the market price. To assess the market price, the operations department of the Group would obtain pricing for comparable products or services from not less than two independent third parties. In any case, the pricing and terms of a continuing connected transaction must be no less favourable to the Group than those available to or from independent third parties, fair and reasonable and in the interest of the Shareholders and the Company as a whole. No agreement for any continuing connected transaction would be entered into unless with prior approval of the senior management of the Group and the Board. The Company confirms that it has followed its pricing policies and guidelines when determining the price and terms of its continuing connected transactions conducted during the Reporting Period.

The legal and compliance department and the financial management department of the Group will also review the terms of any proposed new continuing connected transaction or any existing continuing connected transaction proposed to be renewed to ensure compliance with the Listing Rules. None of such agreements would be entered into unless with prior approval of the legal and compliance department, the financial management department and senior management of the Group and the Board.

The legal and compliance department and the financial management department of the Group will summarize the transaction amounts incurred under the Group's continuing connected transactions regularly on a monthly basis and report to the senior management of the Group. The senior management and the relevant departments of the Group will be informed of the status of the continuing connected transactions in a timely manner such that the transaction amounts can be conducted within the relevant annual caps (if applicable). In addition, the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions. The Company will also engage its external auditors to conduct annual review of the continuing connected transactions in accordance with the requirements under the Listing Rules.

The Group will regularly examine the pricing of its continuing connected transactions to ensure that such transactions are conducted in accordance with the pricing terms thereof, including reviewing the historical transaction records of the Group for similar services and arrangements with other independent third party for similar services.

Risk Management

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. The Company, on a regular basis, identifies and assesses risk factors that may negatively affect the achievement of its objectives, and formulates appropriate response measures.

The Company has adopted the following dynamic risk management process in response to the ever-changing risk landscape:

- Business and functional departments identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit department;

- The internal audit department collects and analyses the significant risks at the company level, and provides input on risk response strategies and control measures for such risks. These significant risks as well as the corresponding risk responses and control measures will be reviewed by senior management and subsequently by the Audit Committee before reporting to the Board;

- The internal audit department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and

- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which includes designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

Internal Control

The Company has always valued the importance of the internal control systems, and has complied with the requirements under Appendix 14 Corporate Governance Code and Corporate Governance Report and Appendix 16 Disclosure of Financial Information of the Listing Rules.

Management of the Company is responsible for the design, implementation and maintenance of the effectiveness of the internal control systems. The Board, assisted by the Audit Committee, is responsible for monitoring and overseeing the performance of management over the internal control system to ensure that it is appropriate and effective.

The Company's internal control systems clearly define the roles and responsibilities of each party as well as authorizations and approvals required for key actions of the Company. Policies and procedures are put in place for the key business processes. This information is also clearly conveyed to employees in practice and plays an important role in the internal control systems. All employees must strictly follow the policies which cover, amongst other things, financial, legal and operational issues that set the control standards for the management of each business process.

In addition, the internal audit department supervises the establishment of the risk management and internal control systems set up by management, ensures that management has implemented appropriate measures and reports the general situation of risk management and internal control of the Company to the Audit Committee on a quarterly basis. The internal audit department also conducts objective evaluation on the effectiveness of the Company's risk management and internal control systems and reports the results to the Audit Committee.

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems.

The review process comprises, among other things, of meetings with management of business and functional departments, internal audit department, legal and compliance department, and the external auditors, reviewing the relevant work reports and information of key performance indicators, internal audit department and external auditors' assessment on internal control and discussing the major risks with the senior management of the Company.

The Board is of the view that throughout the Reporting Period, the risk management and internal control systems of the Group are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff with appropriate qualifications and experience and that such staff receive appropriate and sufficient training and development. Based on the work report from the Audit Committee, the Board also believes that the Company's internal audit function is adequate with sufficient resources and budget. The relevant staff have appropriate qualifications and experience, and receive sufficient training and development.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings by the internal audit department, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Company has adopted various measures to safeguard good corporate governance standards and to avoid potential conflict of interests between the Group and the Controlling Shareholders. For details of the measures adopted, please refer to the section headed "CORPORATE GOVERNANCE MEASURES" on page 273 of the Prospectus.

The independent non-executive Directors have conducted an annual review and nothing has come to their attention that there is any conflict of interests between the Group and our Controlling Shareholders.

The Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between the Group and the Controlling Shareholders, and to protect the interests of minority Shareholders.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category

	Fees Paid/Payable	
	2019	2018
	RMB'000	*RMB'000*
Audit Services	**7,300**	4,257
Non-audit Services	**724**	1,613
Total	**8,024**	5,870

The statement of the Auditor about their reporting responsibilities for the consolidated financial statements is set out in the section headed "Independent Auditor's Report" of this annual report. During the Reporting Period, the remuneration paid/payable to the Auditor was disclosed in Note 7 to the consolidated financial statements. The audit and audit-related services conducted by the Auditor mainly comprised statutory audits and reviews for the Group and certain of its subsidiaries, and the reporting on continuing connected transactions. The non-audit services conducted by the Auditor mainly included professional services on tax consulting and ESG issues consulting.

COMPANY SECRETARY

The selection, appointment and dismissal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association and CG Code. The Company Secretary, Mr. Man Wah Cheng, is an employee of the Company, reports to the Chairman and Chief Executive Officer and is responsible for facilitating the Board's processes and communications among Board members, with the Shareholders and with the management of the Company. All Directors should have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations, are followed.

According to Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of the relevant professional training during the year ended December 31, 2019.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels and a Shareholders' Communication Policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy will be regularly reviewed to ensure its effectiveness.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Right to Call an Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles of Association, general meetings shall be convened on the written requisition of any two or more members, or by any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Cayman Companies Law for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholder(s) who wish to move a resolution may request the Company to convene an extraordinary general meeting in accordance with the procedures set out in the preceding paragraph. For proposing a person for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Yixin Building
1 North, Zhongguancun Hongqiao Innovation Center
365 Linhong Road, Changning District
Shanghai, China

For the attention of the Head of Investor Relations

Email: ir@yixincars.com

Any shareholding matters, such as transfer of Shares, change of name or address, and loss of Share certificates should be address in writing to the Hong Kong Share Registrar:

Computershare Hong Kong Investor Services Limited
Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
(for change of name or address and loss of Share certificates)
Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
(for transfer of Shares)
Telephone: (852) 2862 8628
Facsimile: (852) 2865 0990/2529 6087

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the chairman of the Board and Board members, in particular, the chairmen of Board committees (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavours to attend annual general meetings and to answer enquiries of Shareholders.

During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Memorandum and Articles of Association is available on the websites of the Company (www.yixincars.com) and the Stock Exchange (www.hkexnews.hk).

ESG REPORT

ABOUT THIS ESG REPORT

This is the ESG report for the year ended December 31, 2019 prepared by Yixin Group Limited ("Yixin Group", the "Group", the "Company", "we", "us", or "our") for publication in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide contained in Appendix 27 to the Listing Rules, with a view to reflect the overall ESG performance of the Company in an objective and fair manner. We suggest that this report should be read in conjunction with the section headed "Corporate Governance Report" in the annual report. Unless otherwise stated, the scope of this report covers the operating units of Yixin Group Limited and its subsidiaries in mainland China, and the Reporting Period is from January 1, 2019 to December 31, 2019 .

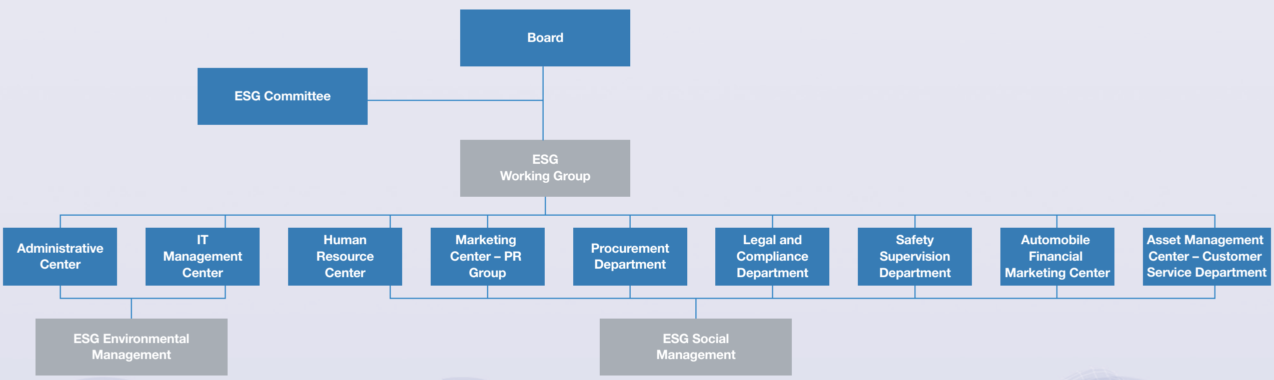
ESG GOVERNANCE AND MATERIALITY ANALYSIS

While creating economic value for the society and Shareholders, the Group has endeavoured to establish and strengthen a business system which covers consumers, automakers, auto dealers, auto financing partners and aftermarket service providers and is supported by our online financial automobile transaction platform in order to facilitate transactions that may arise in a automobile consumer trading cycle and throughout any automobile's life cycle.

We further strengthened the ESG management system of the Group by establishing an ESG management mechanism featuring "supervision by the Board, implementation by the management and trans-department linkage". In July 2018, we established an ESG committee, which comprises of three members and the committee is chaired by Mr. Andy Xuan Zhang, an Executive Director, the Chief Executive Officer and the Chairman of the Board. The main duties of the committee include reviewing and monitoring the Group's ESG policies and practices to ensure compliance with relevant legal and regulatory requirements, monitoring and responding to new ESG related issues, and providing recommendations to the Board as and when necessary to improve the ESG performance of the Group.

On March 18, 2019, the Group's ESG committee held a meeting to review the 2018 ESG Report and Corporate Governance Report, evaluated the effectiveness and adequacy of the terms of reference of the ESG Committee, and conducted an annual review on shareholders' communication policy.

The relevant heads of departments of the Group have formed an ESG working group, which is primarily responsible for performing ESG related work of the Group. In 2019, we specified and segregated the responsibilities of each department in ESG management. Based on the requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange, in combination with our business development strategies, we continued to enhance our ESG management level and improved our ESG management organizational structure.

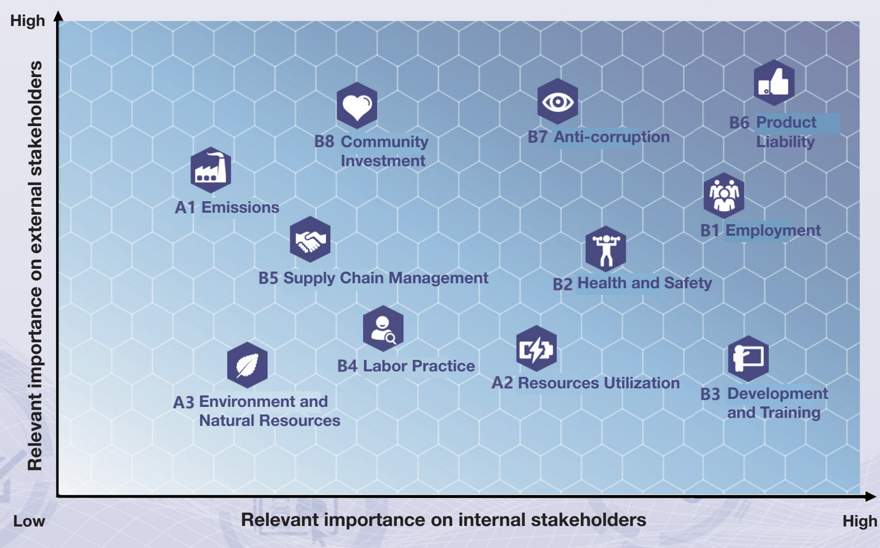


We acknowledge the importance of feedback from stakeholders (including our Shareholders and investors, government and regulatory authorities, our employees, suppliers, customers, business partners, the community and the public) regarding our ESG performance. Therefore, we have established effective communication channels for stakeholders so that we can have better knowledge of their feedbacks. Major stakeholders and their communication channels include (but not limited to) the followings:

Major communication channels and summary of concerns of stakeholders of the Group

Government and regulatory authorities	Major meetings, policy consultations, incident reports, institutional visits, information disclosure, etc.	• Compliance operation • Corporate governance • Environmental management
Shareholders and investors	Investor seminars, corporate announcements and circulars, investor relations columns in our official website, etc.	• Profitability • Operation strategy • Information disclosure transparency
Employees	Meetings, employee activities, social media, etc.	• Employee compensation and benefits • Development and training opportunities • Healthy work environment
Suppliers	Phone calls, conferences, mails, site visit, etc.	• Cooperation on fair terms • Integrity
Customers	Customer complaint hotline, customer service center, etc.	• Quality services • Privacy protection
Business partners	Strategic cooperation, exchange and interaction, etc.	• Cooperation on fair terms • Integrity • Mutual development
Community and public	Charitable activities, community interactions, corporate recruitment seminars, etc.	• Community relations • Employment • Community investment and charitable activities

To better understand the major concerns of our ESG practices, we have concluded a materiality matrix for ESG key topics to highlight the main focus of our reports and actions by studying domestic and international industrial benchmarks to understand the latest development of the industry and making reference to the analysis and suggestions from internal and external experts as well as the feedbacks from stakeholders.



PRODUCT LIABILITY

We strictly abide by relevant laws and regulations such as the Law of PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the E-commerce Law of PRC (《中華人民共和國電子商務法》), and implement the industry regulatory documents including the Administrative Measures for Automobile Finance Companies (《汽車金融公司管理辦法》) and the Administrative Measures for Automobile Financing (《汽車貸款管理辦法》). We are committed to offering excellent customer experience with quality services and protecting the legal rights of customers in upholding our high integrity. Moreover, the Group has strengthened its management regarding the security of customers' information and fulfilled our corporate responsibilities regarding products and services.

Improving Customer Service

Consumers' rights and interests are always our core concern. We have implemented the "Customer Service Management System" and continued to optimise our service procedures by collecting and responding to opinions and feedbacks from customers promptly to ensure premium customer experiences.

We have established various channels to collect customers' suggestions and feedbacks, which mainly include the customer service hotline at 4000-598-598 and offline feedback from branches and business partners, as well as WeChat self-service channels, etc. To render better services to customers, we developed the Code of Conduct for Customer Service Department at Office (《客戶服務部辦公區行為規範》) and the Monthly Assessment Plan for 400 Customer Service Staff (《400客服月度考核方案》), which contained clear requirements on customer service staff regarding their daily office conduct and professionalism, and ongoing enhancement will be made to the above measures based on actual business conditions.

We have established an outstanding customer service team as well as standardized service procedures. The customer service team is responsible for lead conversion and customer service support, ensuring all complaints and feedback from customers are properly followed. In 2019, we established a designated customer service team targeting online complaints from customers via Weibo, WeChat and other major online platforms, to monitor complaints lodged through such platforms round the clock, and respond promptly to serious complaints. Malicious complaints will be followed on a separate basis. By doing this, we make sure that all complaints will be handled in a lawful and reasonable manner. Moreover, we have established a customer-caring team within the customer service center to follow up, analyze, receive, handle and review customer complaints relating to escalated internal complaints and external complaints (public platform, regulatory authorities, onsite complaints from individuals) to ensure all types of complaints will be responded and coped with in a timely manner.

We value the opinions of our customers and make our best effort to address their inquiries and claims. During our daily service, we always reflect on frequent customer issues and make customers informed, in advance, of the potential issues to further improve their experience. In 2019, a total of 169,635 customers were involved in our satisfaction questionnaire, and, 168,103 or 99.1%, of them, were satisfied with our services. In September 2019, the Group was awarded the "Most Satisfactory Finance Leasing Company rated by Consumers" on the list of satisfactory PRC automobile financing companies released by China Automobile Dealers Association.

Case: Service Guarantee during the COVID-19 Epidemic

In early 2020, there was a sudden outbreak of the COVID-19 epidemic. In order to ensure the business operation during the epidemic and minimize the impact of the epidemic on customers' repayments, we launched services of application for delayed repayment to the loan grantors on behalf of five types of customers affected by the epidemic, such as confirmed patients and medical workers, so as to reduce the inconvenience caused by the epidemic to customers to the maximum extent.

Regulating Agent Management

We also attach great importance to the compliance of the Group's agents in business operation. In order to regulate the daily operation of agents, we have formulated the Rules of Compliance for Agents (《代理商合規規則》), which stipulated relevant requirements, prohibitions and penalties for the promotion, charge, submission of application materials, collection, and complaints handled by agents. At the same time, we signed specific supplemental compliance agreement for the Agency Cooperation Agreement with the agents to increase the constraints on the agents and avoid risks for the Group to the maximum extent.

We also established supervision and inspection channels for agents. Customers may complain or report agents' violations through hotlines, WeChat official account, messages on the official website and other channels. The Group's customer service department conducts telephone follow-up to contracted customers, and each branch also conducts agent compliance inspections from time to time. Once an agent is found to be in violation of laws and regulations, we will take measures such as fines, downgrades, suspension of submission of application materials, termination of cooperation, and claim of legal liabilities depending on the severity of the nature.

Enhancing Brand Management

Good corporate brand management is essential to an enterprise's development. Therefore, we attach great importance to brand management. We strictly abide by the Advertising Law of PRC (《中華人民共和國廣告法》), the Trademark Law of PRC (《中華人民共和國商標法》), and the Interim Administrative Measures for Internet Advertisements (《互聯網廣告管理暫行辦法》) and other relevant laws and regulations. In order to prevent risks relating to advertising and publicity, we have formulated the Management System for Advertising and Publicity Compliance of Yixin Group (《易鑫集团廣告宣傳合規管理制度》) based on the actual situation of the Group, which clearly stipulates the details of and regulations on the contents to be released, so that the advertising and publicity of the Group will meet the requirements of laws and regulations. Based on this, we formulated the Measures on Publication Procedures for Advertising and Publicity Materials of Yixin Group (《易鑫集团廣宣物料發佈流程辦法》) in 2019 to further regulate our advertising and publicity.

In 2019, we responded to the initiative of financial regulatory authorities by changing the name of our company website and APP from "Yixin Automobile Loan (易鑫車貸)" to "Yixin Finance (易鑫金融)" while comprehensively reviewing our product names and descriptions to ensure consumers are able to have a clear and accurate understanding of our businesses and products. This exercise was endorsed by financial regulatory authorities.

Safeguarding Information Security

As a platform for exchanging, accessing and sharing information, information security is essential to the Group's operation. Therefore, we have used our best endeavours to safeguard users' information security and privacy and to mitigate the risk of data leakage through stricter regulations, risk prevention and contingency measures.

We strictly comply with the Cyber Security Law of PRC (《中華人民共和國網絡安全法》), the Information Security Technology – Personal Information Security Specification (《信息安全技術個人信息安全規範》) and other relevant laws and regulations, and have formulated the Term of Service and Privacy Policy of Yixin Group (《易鑫集团服務條款與隱私政策》) and the Administrative Measures on Application for Extraction of Third Party's Sensitive Data of Yixin Group (《易鑫集团第三方敏感數據提取申請管理辦法》), so as to regulate safeguarding of customer information security. In accordance with GB/T 22080-2008 Information Security Management System Requirements (《信息安全管理體系要求》), we have established the Information Security Committee. The committee is led by our management and is responsible for reviewing mid to long-term plan and annual work plan in relation to information security, authorizing and approving tasks in relation to information system security, regularly reviewing and inspecting the effectiveness of existing security measures and the consistency of security settings and security policy, and the implementation of security management system to ensure effective control over safety risks. Meanwhile, we have set up a management system in respect of extraction of sensitive data, which is responsible for review and approval, monitoring, early warning and emergency response of extraction of sensitive data for publication.

In 2019, in a robust effort to follow the national privacy security policy, we formulated stricter privacy policy for Yixin Finance PC terminal and APP, which clarified matters on third party's access to users' information, protection of personal information of minors, etc. In addition, we made amendments to relevant terms of offline business contracts in accordance with the laws and regulations and policies on protection of nationals' personal information to ensure we obtain and use the personal information of customers in a lawful manner, which enhanced protection of users' information security.

Through the IT work order system, we created a function to approve applications for accessing sensitive data online so that application approval records are maintained. In 2019, we further perfected approval procedures for third party's accessing sensitive data by requesting specific purposes of data accessing and type of the data, and setting relevant approval procedures based on data type and level of sensitivity of personal information, conducting encipherment protection after accession and ensuring lawful use of personal information while boosting approval efficiency.

We also took active measures to enhance protection of our internal network security. In particular, we optimized the security of application and business system, and monitored attacks on our internal network through preventive measures including network intrusion monitoring system and simulated monitoring of regular application software ports, which effectively reduced the risk relating to internal network security.

Protecting Intellectual Property

Intellectual property represents the core competitiveness strength of an enterprise. We are in strict compliance with the Patent Law of PRC 《中華人民共和國專利法》, the Trademark Law of the PRC 《中華人民共和國商標法》 and the Copyright Law of the PRC 《中華人民共和國著作權法》 and other relevant laws and regulations, and resolve intellectual property issues through cross-licensing or business cooperation in a positive manner.

While avoiding infringement of the trademark rights of others, we also actively take measures to prevent others from infringing the lawful rights and interests of the Group. We have registered the copyrights or applied patents of relevant software technologies owned by us. When an infringement incident is discovered, we will promptly investigate and collect evidence for the copyright infringement case. Upon preliminary examination, we will report the suspected infringement activities to the relevant authority for investigation and punishment, negotiate with the infringing party for compensation or file a lawsuit against the infringing party.

We have established an infringement monitoring mechanism targeting online channels such as WeChat official account, Baidu and Tianyancha (天眼查), to monitor and screen suspected infringement of our intellectual property rights, impersonating our customer service staff for phone fraud, and suspected infringement of our goodwill, summarize monitoring and handling results and issue a monitoring report on a weekly basis for continuous follow-ups. In addition, we have also appointed a trademark manager responsible for the protection of key trademarks to ensure successful registration and effective protection of relevant trademarks for our new products.

Facilitating Industry Development

Advocating business compliance has been a top priority in our daily management. Following the first charitable seminar for promoting laws on automobile finance to the public with the theme "industry self-discipline and financial law publicity" held in 2018 where the Group was one of the organizers, we will be more active in law publicity activities to facilitate the healthy development of the industry this year.

In July 2019, we, as one of the promoters and founding members, signed the Convention on Combating Deceptive Loans for Used Automobile Finance (《二手車金融反套路貸公約》) which was also signed by a number of peer enterprises in order to better regulate the industry. In December 2019, Yixin Group issued the Guidelines on Regulatory Compliance for Automobile Finance (《汽車金融合規指引》) jointly with China Institute of Corporate Legal Affairs of the Legal Daily at the Eighth China Corporate Legal Affairs Annual Conference with the theme "Compliance Tendency and Response". The guidelines comprehensively analyze the compliance risks currently exposed to the automobile finance industry and systematically summarize 12 types of compliance risks such as internal control system and related party transactions in the automobile financing lease industry, as well as security issues of data protection network faced by the automobile finance industry, providing constructive opinions on the regulated operation of PRC automobile finance industry. Going forward, we will keep on advancing and improving the regulated operation of automobile finance industry and put forth our strength for the healthy, sound and sustainable development of the industry.

Mr. Gao Zhi (the first to the left), COO of Yixin Group, participated in the convention signing ceremony
Picture source: China Automobile Dealers Association

While creating value to customers and promoting industry development on an ongoing basis, we are also well recognized by the industry and the society. In 2019, the Company won the following awards:

- In September 2019, the Excellent Demonstrative Automobile Finance Asset Securitization Product Award issued by www.caishiv.com in the "2018-2019 Asset Securitization Jiefu Awards";
- In September 2019, the "Most Satisfactory Finance Leasing Company Rated by Customers" on the list of satisfactory PRC automobile finance companies;
- In November 2019, the "Innovative Financial Service Enterprise in Respect of the China Automobile Dealers Industry for the Year 2019" conferred by China Automobile Dealers Association;
- In November 2019, the "Hunting Vehicles•Best Automobile Financing Lease Company for 2019" conferred by National Business Daily;

- In November 2019, the “Top 100 Financial Enterprises in Terms of Brand Influence for 2019” and the “PRC Automobile Finance Enterprise for Outstanding Brand Influence for 2019” conferred by The Economic Observer;

- In November 2019, the “Top 20 Global Automobile Financial Technology and Service Providers in Terms of Innovation Strength for 2019” conferred at Lujiazui Industrial Finance Forum and the Third Session of GIIS Automobile New Consumption Summit in 2019;

- In December 2019, the Best Marketing Award conferred at the Fourth Session of China Automobile Finance Industry Beijing Summit in 2019 held by Automobile Finance Comprehensive APP.

CARING ABOUT EMPLOYEES

As we believe that first-class talents make first-class enterprises, talent recruitment and training are always the top of our list. As an online automobile finance company in China, we are led by a group of talents with diversified and balanced backgrounds. Our corporate culture is to encourage diversity of leadership and talents. We also have a well-established recruitment and training system so that all employees are connected and united, which is critical to the improvement of our efficiency, effectiveness, innovation and execution capabilities, and in turn converting into our competitive advantage in key markets and further consolidating our leading position among the online automobile finance transaction platforms.

Employee Employment and Rights

Employees are our most valuable asset. We care about the development and health of our employees, and are committed to creating a working platform and environment that is fair, diversified and with emphasis on professional ethics for every employee.

We stringently comply with relevant laws and regulations, including the Labor Law of PRC (《中華人民共和國勞動法》), the Labor Contract Law of PRC (《中華人民共和國勞動合同法》), the Law of PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Law of PRC on the Protection of Women and Children's Rights and Interests (《中華人民共和國婦女兒童權益保護法》) to protect our employees' basic rights and interests. In order to further improve the human resources management system, we actively improved a number of internal regulations and systems, such as the Employee Handbook, the Recruitment Management Measures, the Induction Management Measures, the Resignation Management Measures, the Probation Management Measures, the Attendance Management Measures, the Staff Subsidy Management Measures, the Transfer Management Measures and the Promotion Management Measures, which have institutionalized, standardized, and routinized human resources management work to ensure smooth operations.

We mainly carry out recruitment in the form of internal application, online recruitment and staff referral to seek talents who are in line with the philosophy of our Group and meet our future development needs. We adhere to the principle of mutual respect and fairness, and treat all candidates and employees equally without any discrimination on the basis of gender, race, religion or any other aspects in the recruitment and daily work. We conduct rigorous examination on the information of the recruits and strictly prohibit the employment of child labor. During the Reporting Period, no child labor or forced labor was identified.

In 2019, we were successively awarded the "2019 Best Employer in the PRC" by Zhaopin.com, the "Innovative Employer in Shanghai for 2019" by Liepin, the "King's Boat · Most Caring Employer" by BOSS, and the "Best Human Resources Practice Award for 2019" by HR Salon.

Picture source: Boss

Employee Benefits and Incentives

To attract talents, we offer competitive remuneration and various benefits to our employees. All employees of our Group are entitled to meal allowance, transportation allowance, travel allowance, communication allowance, as well as supplementary medical insurance benefits. In 2019, we cooperated with third party renting platforms to formulate the "Youxiang (優享)" settlement program to offer discounts for employees with rental needs in nine cities including Shanghai, Beijing, Shenzhen and Guangzhou. In addition, we have arranged commuting shuttle buses for employees in certain places to facilitate their commutes.

We are willing to share the development outcomes of our Group with every employee. To enrich the variety of employee incentives, we have offered share-based remuneration to certain employees, and established a comprehensive award system with project-based awards, department-based awards and awards at the Company level to repay their efforts and contributions. We elected "honorary almonds (榮耀杏仁)" based on the principles of Yixin culture to encourage employees with outstanding results and performance and to set up role models based on their achievements. Besides, we presented various awards, including the special president award, best team leader award, best newcomer award and best team award as a recognition of the contributions and devotions of our employees.

Employee Training and Development

Our employee training system focuses on application skills and experiences of employees. The training program is designed based on various aspects including job duties, career development, expectation of leaders, learning approaches, training objectives and practices, aiming to facilitate our employees to participate and gain different experiences throughout the whole training process.

Pursuant to the characteristics of the Group, we have developed a comprehensive training system, which combines with on-line and off-line training approaches, and has developed training courses and programs covering new employees, elementary-level employees and management at various level. We have also developed innovative channels such as live stream learning courses by making use of internet resources in order to improve the effectiveness and efficiency of our training resources which help our employees improve by various ways.

- New staff training system: "Freshmen Program (新員工快速成長)" for new staff.

- Elementary-level staff training system: "Stepping up to management (新經理成長地圖訓練營)" for elementary-level staff, to sharpen their working skills and generic skills through teamwork projects, teamwork building programs and business training programs.

- Middle-level management training system: Management training project for middle-level management, to, by way of training camps and teaching courses, strengthen the execution, competence and professional skills of the middle-level management in support of their career development, which in turn lays the foundation for the business development of the Company.

- Senior management training system: "Everyone can be CEO (人人都是CEO)" for senior management, to, through corporate visits, teaching courses and seminars, strengthen the leadership, management capabilities and strategic analytical skills of the senior management so that they will become high-quality corporate managerial officers.

Case 1: Yixin University (易鑫大學)

For the purpose of establishing an improved training system, the Group established the "Yixin University" in June 2017. The main functions of Yixin University include three major aspects: building the existing knowledge base of the Group, providing training and development opportunities for the Group's talents, and establishing a learning ecosystem. The online learning platform of Yixin University is open to all employees and integrates 542 online courses, including video, PPT, images, text as well as other learning resources. In 2019, we launched an internal lecturer assessment activity. Meanwhile, a new credit system was introduced, which allows employees to obtain corresponding credits through online learning, and exchange for corresponding gifts through the platform, thus inspiring their passion for learning.

Case 2：Talent Review and Profile System for Talents

In 2019, the Group launched a pilot program, which aims to conduct talent review for management positions. Through the evaluation of work performance, online leadership assessment and competency model evaluation, the Group conducted comprehensive assessment on the overall situation of the employees under review, helping talents of all levels to identify their potential and growth points to find a growth path that is aligned with their individual conditions.

As part of our effort to facilitate the availability of the result of talent review, we have developed a talent profile system which enables the review result (such as competency assessment result and talent distribution in form of six-grid) to be displayed on the system. It also maintains employees' resumes, previous learning courses as well as career development track, thus helping us gain insight into the advantages and disadvantages of their skills, and provide reference for the orientation of their training and promotion.

Case 3: Internal Rotation Mechanism

In 2019, the Group began to implement the trial rotation mechanism in individual departments with a view to further exploring the potential of employees holding management positions and core specialized positions. Through talent review, we allow employees holding such positions to undergo horizontal rotation development within the Company for 3-6 months so as to promote the reasonable flow of outstanding talents and improve the multi-module work ability of employees.

Case 4：Yixin Guinness (易鑫吉尼斯)

In order to encourage employees to work in the pursuit of leanness, innovation, challenge and breakthrough, while helping us achieve business objectives in a more satisfactory manner, the Group launched the "Yixin Guinness" program in September 2019. This program encourages employees to submit personal records in relation to their work performance, cultural and sports activities as well as training, etc. The records submitted by employees will be certified by the "Yixin Guinness" program committee, and the result of certification will be publicized in the Company's internal system. The Yixin Guinness record created by one employee may be replaced or refreshed by any other employee through "challenging (踢館)", until no one challenged the final result; the final result will be listed in the "Yixin Hall of Fame" and be publicized in the Company's internal system. As at December 31, 2019, there are 35 Yixin Guinness records, which have attracted more than 200 participants. The most challenged program experienced 7 challenges, the total challenge rate was 26%.

Health and Safety of Employees

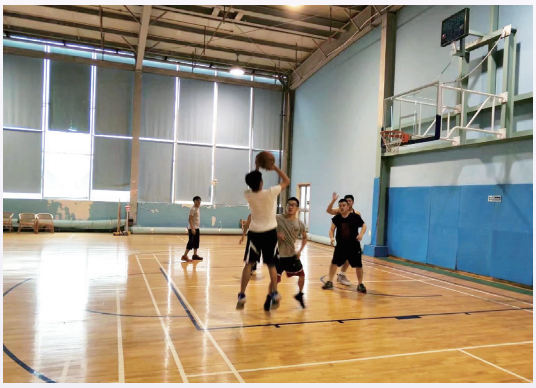
The health and safety of employees are the foundation of our operation. It is our basic responsibility to protect the occupational health rights and interests of our employees. We strictly abide by the Labor Law of PRC (《中華人民共和國勞動法》) and Regulation on Work-related Injury Insurances (《工傷保險條例》), providing employees with corresponding protection of health and safety. We provide onboard medical examinations for all new employees and offer regular clinical examination on an annual basis to all of our in-service employees. In addition to the social insurance contribution for our employees, we also provide them with additional medical insurance in order to improve their medical protection.

In order to promote the physical and mental health of our employees, we have actively organized various cultural and sports activities and festival celebration activities, which aim to let our employees relax themselves from busy and stressful work, and constantly enrich their cultural life. To mitigate the sub-health condition in the workplace and raise the health awareness among employees, in 2019, we organised four three-day workplace health consultation activities, inviting traditional Chinese medicine experts to provide on-site consultations for our employees.

Case: Sport Activities of Employees

In 2019, we continued to enrich the cultural life of our employees and actively organise various cultural and sports activities. We have established football leagues, basketball leagues and badminton leagues, and made the registration channel accessible to employees every month. Besides strengthening their physical fitness, all participants working up a sweat on sports fields enjoy improved communication and enriched spare time life.

"Yixin Football League Activities"



"Yixin Basketball League Activities"

Case: Health Protection for Employees during the COVID-19 Epidemic

The Group regards the safety of employees as its top priority. Since the outbreak of the COVID-19 epidemic, the Group has set up an emergency working group immediately, formulated a special emergency plan, and deployed the purchase of anti-epidemic materials needed after the resumption of work in advance. We have strictly complied with the requirements of the governments at all levels, delayed the resumption of work, and strictly required employees returned from other regions to undertake quarantine and observation. We have required all employees to report their health conditions daily and once an employee with abnormal condition was found out, special follow-up would be carried out immediately.

After the resumption of work, we have adopted measures such as working from home and limiting the number of staff in the workplace to strictly control staff density. At the same time, we have prepared sufficient materials for epidemic prevention and control, implemented measures such as staff mobile check-in, peak-shifting meal time, and regular complete disinfection of the workplace to ensure the health and safety of employees at workplace to the maximum extent.

GREEN OPERATION

As a company focused on internet business, the Group mainly impacts the environment through consumption of water, power, corporate vehicle fuel and office paper in our daily operation. In order to establish a green office, we have actively promoted the concepts of energy conservation, consumption reduction and lower carbon emission. The Group has strictly complied with applicable environmental protection laws and regulations such as the Environmental Protection Law of PRC (《中華人民共和國環境保護法》) and actively implemented an energy saving and environmental-friendly system to integrate the philosophy of low carbon emission and environmental protection into the operation and management process of the Company. Employees are encouraged to develop eco-friendly habits to save resources and minimize pollution. In addition, subsidiaries of the Group are also committed to saving energy and reducing consumption of natural resources through various ways to achieve low-carbon operation. During the daily business operation, the Group has no material and adverse impact on the environment and natural resources.

In order to promote reasonable power usage, the Group has formulated the Office Power Usage Management System《辦公室區域用電管理制度》and assigned specific personnel to manage office power usage, who shall patrol regularly in order to check power usage of offices and turn off electrical appliances in the office areas that are not in use. Setting of air conditioning is controlled so that room temperature will not fall below 26°C in summer or exceed 22°C in winter. In terms of water saving, we posted publicity signs in the office to encourage employees to turn off the faucets in time to prevent wasteful running water. In addition, we have also reduced the use of resources through other measures: introducing a printer card reading system, under which, employees are requested to log in when printing, and printing records are maintained to urge employees to be frugal when printing documents; setting the printer system to default double-sided printing and installing a paper recycling boxes near every printer to encourage employees using recycled papers in order to reduce consumption of resources.

We proactively promote the concept of green travel and encourage our employees to use public transportation in order to reduce the reliance on corporate vehicles gradually. The Group strictly adheres to the Corporate Vehicle Usage Management System of Yixin Group《易鑫集团車輛使用管理制度》to promote energy saving and prohibit wastage. The system specifies the application and approval procedures, audit of expenses and upper limits. We have installed GPS systems on all corporate vehicles to keep track of their daily usage. It also provides traffic guidance for vehicles to reduce fuel consumption.

We also implement the concept of green environmental protection in the process of office decoration and furniture procurement. In 2019, all office desks and chairs and other furniture we used in the decoration of the new office building were from professional recycled furniture suppliers, which avoided unnecessary waste of resources.

Environmental Performance Table

Emissions

Performance Indicators	2019
Total greenhouse gas emissions (Scope 1 and 2) (tonnes)	483.23
Per capita greenhouse gas emissions (tonnes/person)	0.12
Direct emissions (Scope 1) (tonnes)	47.38
Corporate vehicle fuel consumption	47.38
Indirect emissions (Scope 2) (tonnes)	435.85
Purchased Electricity	435.85
Hazardous wastes (tonnes)	0
Non-hazardous wastes (tonnes)	327.85
Per capita non-hazardous wastes (tonnes/person)	0.08

Notes:

1 Due to its business nature, the gas emission of the Group mainly consists of greenhouse gas derived from the use of electricity and fuels converted from fossil fuels.

2 The greenhouse gas inventories include carbon dioxide, methane and nitrous oxide which are mainly generated from purchased electricity and fuels. GHG emissions data is presented in carbon dioxide equivalent and is based on the 2017 Baseline Emission Factors of Regional Power Grids for Emission Reduction Project in China《2017 減排項目中國區域電網基準線排放因子》issued by the Ministry of Ecology and Environment of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 revision)《IPCC 2006年國家溫室氣體清單指南2019修訂版》issued by the Intergovernmental Panel on Climate Change (IPCC).

3 The types of hazardous wastes involved in the operation of the Group mainly include discarded ink cartridges and waste lead-acid batteries from printing equipment. As the Group leased the printing services from a printing service provider who recycles ink cartridges, there was no waste ink cartridges in 2019. Since the warranty of lead-acid batteries remained valid, there was no waste lead-acid battery in 2019.

4 The types of harmless wastes involved in the operation of the Group include domestic wastes, waste A4 papers and waste electronic equipment of office buildings. The domestic wastes of office buildings are disposed of by a property management company of the office buildings and cannot be measured separately. The estimate is based on the Handbook on the Discharge Coefficient of Urban Domestic Pollution Sources under the First National Survey on Pollution Sources《第一次全國污染源普查城鎮生活源產排污系數手冊》issued by the State Council. There was no waste electronic equipment in 2019.

Energy and Resources Consumption

Indicators	2019
Total energy consumption (MWh)	860.29
Energy consumption per square meter of gross floor area (MWh/square meter)	0.038
Per capita energy consumption (MWh/person)	0.21
Direct energy consumption (MWh)	193.84
Corporate vehicle fuel consumption	193.84
Indirect energy consumption (MWh)	666.45
Purchased Electricity	666.45
Water consumption (tonnes)	33,588.75
Per capita water consumption (tonnes/person)	8.13

Notes:

1 Consolidated energy consumption is calculated on the basis of the consumption of power and petroleum and the conversion factor set out in the General Principles of Consolidated Energy Consumption Calculation (GB/T 2589-2008)《綜合能耗計算通則》(GB/T 2589-2008), a national standard.

2 The data for purchased electricity covers offices in Shanghai, Beijing, Shenzhen, Dalian, Changsha, Chengdu, Urumqi, Shijiazhuang, Changchun, Nanjing, Hohhot, Xi'an, Ningbo, Tianjin, Shenyang, Taiyuan, Wuxi, Xining, Qingdao, Zhengzhou, Suzhou, Jinan, Yinchuan, Chongqing, Kunming, Harbin, Yuncheng, Chengdu, Mianyang, Lanzhou, Guiyang, Zhumadian, Hefei, Wuhan, Nanchang, Fuzhou, Xiamen, Nanning, Guangzhou, Haikou, Baoding, Luoyang, Shaoyang, Yichang, Zunyi, Dali and Dongguan. The offices in other areas have not been included in the statistics due to their insignificant scale, but may be included based on actual circumstances in the future. Electricity expenses of the data centers of the Group are included in the custody fees, so power consumption of data centre cannot be measured separately. Further discussion with regard to the measurement will be made with the custody firm in the future and the data will be included in the statistics once separate measurement is available.

3 Water consumed at the offices of the Group is controlled by the property management companies of the office buildings. Water expenses are included in the property management fees, and water consumption cannot be measured separately. The estimate of water consumption is based on the sit-in mechanism for office premises set out in Code for Design of Building Water Supply and Drainage (GB 50015-2019)《建築給水排水設計規範》(GB 50015-2019), a national standard.

4 Data for packaging materials is not applicable to the Group.

SUPPLY CHAIN MANAGEMENT

Supplier management

Supply chain management is an important part of ensuring sustainable operation of the Group. As for procurement management, we attach high emphasis on the environment and social risk exposure of suppliers. In 2019, we continued to improve the procurement process management and supplier management in line with changes in the Group's business and needs, and formulated the Rules on Supplier Management of Yixin Group《易鑫集团供應商管理規定》 based on the Procurement Management System of Yixin Group《易鑫集团採購管理制度》 to further refine the management requirements for suppliers.

In terms of suppliers selection, we require suppliers to provide relevant professional qualifications to ensure that there are no major lawsuits or disputes against the supplier, and that it has not been subject to administrative penalties for integrity issues. For major suppliers, we will conduct periodic evaluations on biannual basis, and cooperation with suppliers with a score below 60 points for two consecutive evaluations will be suspended for the next year. Suppliers who violate the Sunshine Procurement Code for Suppliers of Yixin Group《易鑫集团供應商陽光採購行為規範》 will be directly withdrawn from the list of qualified suppliers.

Sunshine Procurement

With a view to further regulating the behaviors of suppliers, we continue to promote the implementation of the Sunshine Procurement Code for Suppliers of Yixin Group《易鑫集团供應商陽光採購行為規範》. We actively implement the sunshine procurement and carry out relevant training for personnel in the procurement department. During the procurement process, we require all suppliers selected through tenders to sign the Sunshine Procurement Code for Suppliers of Yixin Group《易鑫集团供應商陽光採購行為規範》 before making purchases, and the supervision department will supervise the entire procurement process in accordance with relevant systems to prevent violations of laws and regulations.

Based on the principle of "Open, Fair, Just", we have established a procurement system and realized online approval throughout the entire procurement process. While accelerating the procurement process, we have also achieved unified and standardized supplier management, and comprehensively improved procurement efficiency and supervision efficiency. In 2019, we further upgraded the procurement system, realized interconnection with the financial system and the visual analysis of procurement data, leaving traces in the key links of procurement, thus marking a milestone in the informationization of supply chain management.

INTEGRITY

Yixin Group is committed to creating a work environment which embraces honesty, progressiveness and integrity. It strictly abides by national laws and regulations related to anti-corruption and bribery, anti-unfair competition and anti-money laundering to ensure the healthy development of its business.

Anti-corruption

Yixin Group joined the China Enterprise Anti-Fraud Alliance in 2017. The Alliance is jointly sponsored by benchmarking companies in various industries in China, Guangdong Enterprise Institute for Internal Controls, Research Center for Internal Control of Enterprises and Non-profit Organizations of Sun Yat-Sen University and other organizations, in which nearly 250 companies are incorporated. The Alliance implements a staff integrity record system. In the case that the staff is confirmed by allied members, has dishonest practices such as offering and taking bribery, embezzlement, selling trade secret of the company and abuse of power for personal gains, which resulted in the termination of labour contracts and internal open investigation, he/she shall be included in the list of dishonest staff. Alliance member will refuse to recruit such dishonest staff.

In addition, Yixin Group has a safety supervision department, which is responsible for proactively sorting out and screening suspected workflow issues or abnormal data found in the daily work process. Building on our incessant effort to promote anti-corruption-related management systems, we continued to enhance publicity, training, and investigation to improve the awareness of integrity among employees. In 2019, in accordance with the Company's business and judicial practice development trends, we conducted integrity education lectures for employees which used simple and easy-to-understand methods, combining laws and regulations with case studies to teach employees, and achieved good results.

The Group provides staff with various reporting channels such as emails, hotlines, WeChat and official WeChat account of the Company. Employees can also raise any issue to the safety supervision department. Upon receiving reports of non-compliance or disciplinary issue, the safety supervision department of the Group will promptly commence investigation and determine the seriousness based on the preliminary investigation results. If any staff is confirmed to have committed any irregular or corruptive conduct, the case shall be reported and the relevant staff shall be punished pursuant to the Employee Handbook 《員工手冊》 and the Management Manual of Reward and Punishment of Employees 《員工獎懲管理辦法》. If an offence is committed, the safety supervision department shall cooperate with the judicial authorities to conduct criminal investigation.

Anti-money Laundering

Yixin Group stresses the importance of anti-money laundering management and strictly abides by relevant laws, regulations and requirements of the regulatory authorities such as the Anti-money Laundering Law of PRC 《中華人民共和國反洗錢法》 and the Guidelines on Promoting the Healthy Development of Internet Finance Industry 《關於促進互聯網金融健康發展的指導意見》. We have adopted preventive and monitoring measures, such as formulation of rules and systems in relation to customer identification and filing of data of customers and transaction records. We constantly improve the identification procedure of customers, maintain regular monitoring and report suspected transactions in order to perform our responsibilities of anti-money laundering effectively.

COMMUNITY INVESTMENT

We know that the development of an enterprise not only creates benefits for itself and its shareholders, but also takes a proactive role in assuming social responsibility. The Group always attaches great importance to the development of surrounding communities, and advocates its employees to carry out public welfare activities to inject momentum into the sustainable development of the enterprise. In 2019, in response to the government's assistance policy for the disabled, Yixin Group provided strong support for the employment of the disabled and set up blind massage posts in some workplace rest areas. While providing employment opportunities for the blind, this also provided employees with welfare programs for easing work fatigue. As of the end of the Reporting Period, the Group had 39 disabled employees in service.

Case: Assistance of Community Prevention and Control during the COVID-19 Epidemic

After the outbreak of the epidemic, we have actively cooperated with the communities, police stations and other grassroots-level organizations to curb the spread of the epidemic while adopting proper personal preventive measures. The Group paid a visit to Changning Lingkong Police Station and donated disposable medical masks, antiseptic liquids and other prevention and control materials to grassroots policemen in the forefront, in an effort to aid the prevention and control of the epidemic.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yixin Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yixin Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 194, which comprise:

- the consolidated balance sheet as at December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Provision for expected credit losses of finance receivables
- Valuation of financial assets at fair value through profit or loss

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for expected credit losses of finance receivables Refer to note 4.1(a), note 7, and note 17 of the consolidated financial statements. As at December 31, 2019, the balance of finance receivables amounted to RMB26,904,149,000, after a provision for expected credit losses of RMB679,727,000. For the year ended December 31, 2019, provision for expected credit losses of finance receivables recorded in the consolidated income statement amounted to RMB811,913,000. The balance of provision for expected credit losses of finance receivables represents management's best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") model. The Group assesses whether the expected credit risk of finance receivables has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL.	*Our procedures in relation to the provision for expected credit losses of finance receivables included:* **Understanding and evaluating management's assessment process and controls** • We tested IT controls over the information systems which are used to maintain the completeness and accuracy of related contractual information with each customer; • We understood and evaluated the internal controls relating to management's ECL model, significant assumptions and major data inputs. **Substantive testing of the provision for expected credit losses** • We reviewed the modelling methodologies used for measuring the ECL measurement, and assessed the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model. We examined the coding for model measurement, to test whether or not the measurement model reflected the modelling methodologies documented by management; • We verified the financial information and non-financial information of the finance receivables, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired receivables;

Key Audit Matter	How our audit addressed the Key Audit Matter
The measurement model for expected credit losses involves significant management judgments and assumptions, primarily for the following: • Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; • Economic indicators for forward-looking measurements, and the application of economic scenarios and weightings; • Estimated future cash flows for defaulted and credit-impaired finance receivables. For measuring expected credit losses, the Group adopted a complex model, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the finance receivables and provisions accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.	• For forward-looking measurements, we reviewed management's model analysis of their selection of economic indicators, economic scenarios and weightings, and assessed the reasonableness of the prediction of economic indicators, the application of economic scenarios and the setting of weightings; • We examined on a sample basis the major data inputs to the ECL model to assess their accuracy and completeness. We verified the transmission of major data inputs between the model's measurement engines and the information systems, to verify their accuracy and completeness; • We examined on a sample basis the assumptions used by management to determine expected cash flows for defaulted and credit-impaired finance receivables, based on financial information of latest collateral valuations and other available information in supporting the computation of provisions; • We utilized IT audit techniques to assess the accuracy of the provision for expected credit losses of finance receivables made by management. Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for finance receivables, we found the model, key parameters, significant judgment and assumptions adopted by management and the measurement results were supportable in light of available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets at fair value through profit or loss Refer to note 4.1 (c) and note 15 of the consolidated financial statements. The Group has invested in certain financial assets at fair value through profit or loss with fair value of RMB2,550,085,000 as at December 31, 2019. These investments were all measured at fair value using level 3 inputs which were not based on active market prices, nor based on observable market data.	*Our procedures in relation to the determination of fair value of financial assets at fair value through profit or loss included:* **Understanding and evaluating management's assessment process and controls** • We understood and evaluated the internal controls relating to management's model used, development of significant assumptions and estimates, and major data inputs related to the fair value measurement. **Substantive testing of valuation of financial assets at fair value through profit or loss** • We obtained the calculation sheets of fair value estimation of financial assets at fair value through profit or loss, evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets; • We evaluated the independent external appraisal firm's competence, capability and objectivity; • We assessed the appropriateness of the methodologies and key assumptions adopted by management including expected revenue growth rates, expected profit margins, discounted rates and volatility. We reconciled the input data of expected revenue growth rates and expected profit margins to management's forecast of future profits, strategic plans and business data;

Key Audit Matter	How our audit addressed the Key Audit Matter
Management assessed and measured the fair value of financial assets at fair value through profit or loss using particular valuation techniques, with assistance from an external appraisal firm. The valuation process was highly judgmental due to its reliance on management's assumptions such as discount rate, volatility and probability weighting, liquidation and redemption scenarios, etc. The determination of the model adopted and key inputs required management's significant judgment or estimation. The prescribed value of the financial assets at fair value through profit or loss is significant to the financial statements. In view of this we have identified this as a key audit matter.	• We compared the volatility and discounted rate with comparable companies in the open market to assess the reasonableness of the input data used; • We challenged management regarding its approach for determining the probability weighting, liquidation and redemption scenarios, including assessing and analyzing the weightings based on our understanding of the investees' business and market condition. Based on the procedures performed, we found the judgments and estimates made by the Group for the determination of fair value of the financial assets at fair value through profit or loss and the valuation results were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 26, 2020

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Revenues	5		
Transaction Platform Business		**1,759,052**	762,002
Self-operated Financing Business		**4,040,930**	4,770,630
		5,799,982	5,532,632
Cost of revenues	7	**(3,033,524)**	(3,057,209)
Gross profit		**2,766,458**	2,475,423
Selling and marketing expenses	7	**(1,062,021)**	(1,099,325)
Administrative expenses	7	**(505,968)**	(763,125)
Research and development expenses	7	**(195,689)**	(239,460)
Net impairment losses on financial assets	7	**(1,107,526)**	(669,040)
Other gains, net	6	**154,516**	111,703
Operating profit/(loss)		**49,770**	(183,824)
Finance income, net	9	**28,133**	27,566
Share of (losses)/profits of an investment accounted for using the equity method		**(1,887)**	1,382
Profit/(loss) before income tax		**76,016**	(154,876)
Income tax expense	10	**(45,080)**	(11,704)
Profit/(loss) for the year		**30,936**	(166,580)
Profit/(loss) attributable to:			
– Owners of the Company		**30,936**	(166,580)
– Non-controlling interests		**–**	–
		30,936	(166,580)
Profit/(loss) per share from operations attributable to owners of the Company or the year (expressed in RMB per share)	11		
– Basic		**0.01**	(0.03)
– Diluted		**0.01**	(0.03)

The notes on pages 108 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Profit/(loss) for the year	**30,936**	(166,580)
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**33,493**	37,196
Total comprehensive income/(loss) for the year	**64,429**	(129,384)
Attributable to:		
– Owners of the Company	**64,429**	(129,384)
– Non-controlling interests	**–**	–
	64,429	(129,384)

The notes on pages 108 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	12	**108,380**	353,230
Right-of-use assets	13	**34,958**	–
Intangible assets	14	**1,990,078**	2,159,481
Investment in an associate		**15,546**	17,433
Financial assets at fair value through profit or loss	15	**2,550,085**	2,098,200
Deferred income tax assets	27	**423,679**	216,543
Prepayments, deposits and other assets	19	**1,707,953**	1,141,819
Finance receivables	17	**10,192,954**	18,027,363
Restricted cash	20	**114,318**	446,108
		17,137,951	24,460,177
Current assets			
Finance receivables	17	**16,711,195**	18,791,626
Trade receivables	18	**1,056,213**	677,221
Prepayments, deposits and other assets	19	**1,261,769**	1,404,960
Cash and cash equivalents	20	**1,586,817**	2,116,197
Restricted cash	20	**1,793,009**	3,092,081
		22,409,003	26,082,085
Total assets		**39,546,954**	50,542,262
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**4,148**	4,114
Share premium	21	**34,739,193**	34,592,150
Other reserves	22	**1,138,370**	1,010,748
Accumulated losses		**(20,168,657)**	(20,189,194)
Total equity		**15,713,054**	15,417,818

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	26	**3,431,524**	8,391,104
Lease liabilities	13	**17,101**	–
Deferred income tax liabilities	27	**2,737**	2,902
Other non-current liabilities	28	**1,492,533**	1,947,435
		4,943,895	10,341,441
Current liabilities			
Trade payables	24	**472,328**	693,417
Other payables and accruals	25	**1,758,995**	2,173,172
Current income tax liabilities		**237,758**	109,034
Borrowings	26	**16,408,645**	21,807,380
Lease liabilities	13	**12,279**	–
		18,890,005	24,783,003
Total liabilities		**23,833,900**	35,124,444
Total equity and liabilities		**39,546,954**	50,542,262

The notes on pages 108 to 194 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 100 to 194 were approved by the Board of Directors on March 26, 2020 and were signed on its behalf.

Andy Xuan Zhang
Director

Dong Jiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at December 31, 2018		4,114	34,592,150	1,010,748	(20,189,194)	15,417,818
Comprehensive income						
Profit for the year		–	–	–	30,936	30,936
Currency translation differences	22	–	–	33,493	–	33,493
Total comprehensive income for the year		–	–	33,493	30,936	64,429
Transactions with owners in their capacity as owners						
Share-based compensation	8, 22, 23	–	–	233,124	–	233,124
Appropriation to statutory surplus reserve	22	–	–	10,399	(10,399)	–
Release of ordinary shares from Share Scheme Trusts	21, 22, 23	16	87,406	(87,190)	–	232
Shares issued upon exercise of employee share options	21, 22, 23	2	11,490	(11,460)	–	32
Vesting of restricted awarded shares	21, 22, 23	16	48,147	(48,163)	–	–
Purchase of restricted shares under share award scheme	22, 23	–	–	(2,581)	–	(2,581)
Total transactions with owners in their capacity as owners		34	147,043	94,129	(10,399)	230,807
Balance at December 31, 2019		4,148	34,739,193	1,138,370	(20,168,657)	15,713,054

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2018		4,080	34,409,418	797,646	(20,008,876)	15,202,268
Comprehensive loss						
Loss for the year		–	–	–	(166,580)	(166,580)
Currency translation differences	22	–	–	37,196	–	37,196
Total comprehensive loss for the year		–	–	37,196	(166,580)	(129,384)
Transactions with owners in their capacity as owners						
Share-based compensation	8, 22, 23	–	–	348,826	–	348,826
Appropriation to statutory surplus reserve	22	–	–	13,738	(13,738)	–
Release of ordinary shares from Share Scheme Trusts	21, 22, 23	31	167,713	(167,300)	–	444
Shares issued upon exercise of employee share options	21, 22, 23	2	11,655	(11,626)	–	31
Vesting of restricted awarded shares	21, 22, 23	1	3,364	(6,147)	–	(2,782)
Purchase of restricted shares under share award scheme	22, 23	–	–	(1,585)	–	(1,585)
Total transactions with owners in their capacity as owners		34	182,732	175,906	(13,738)	344,934
Balance at December 31, 2018		4,114	34,592,150	1,010,748	(20,189,194)	15,417,818

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**11,620,309**	(4,082,030)
Income tax paid		**(123,657)**	(55,067)
Net cash generated from/(used in) operating activities		**11,496,652**	(4,137,097)
Cash flows from investing activities			
Interest received		**91,953**	33,735
Proceeds from disposal of property and equipment and intangible assets		**918**	64,492
Purchase of property and equipment		**(496,422)**	(28,817)
Purchase of intangible assets		**(6,666)**	(9,606)
Loans to a related party	32(g)	**(22,000)**	–
Loans to third parties		**(283,929)**	(153,057)
Repayments from loans to third parties		**353,006**	–
Repayments from loans to a related party		**–**	1,000
Investments in financial assets at fair value through profit or loss	15	**(422,318)**	(286,445)
Prepayment for an investment	19	**(400,000)**	–
Payment for acquisition of subsidiaries, net of cash acquired		**(7,500)**	–
Placements of restricted cash		**(4,761,739)**	(4,772,686)
Maturity of restricted cash		**7,088,077**	1,784,709
Net cash generated from/(used in) investing activities		**1,133,380**	(3,366,675)

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**24,039,867**	39,761,458
Repayment of borrowings		**(34,598,344)**	(34,568,213)
Release/(payment) of deposits for borrowings		**92,511**	(366,409)
Proceeds of loans from Bitauto Group	32(f)	**300,000**	1,589,393
Repayment of loans from Bitauto Group	32(f)	**(1,144,406)**	(700,000)
Principal elements of lease payments		**(32,488)**	–
Payment of issuance cost of ordinary shares relating to the initial public offering		**–**	(13,516)
Proceeds from exercise of share options		**32**	2,434
Purchase of restricted shares under share award scheme		**(2,581)**	(4,367)
Interest paid		**(1,821,090)**	(1,917,044)
Net cash (used in)/generated from financing activities		**(13,166,499)**	3,783,736
Net decrease in cash and cash equivalents		**(536,467)**	(3,720,036)
Cash and cash equivalents at beginning of year		**2,116,197**	5,824,706
Exchange gains on cash and cash equivalents		**7,087**	11,527
Cash and cash equivalents at end of year		**1,586,817**	2,116,197

The notes on pages 108 to 194 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yixin Group Limited (the "Company") was incorporated in the Cayman Islands on November 19, 2014 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and carries on business in Hong Kong as Yixin Automotive Technology Group Limited. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited since November 16, 2017.

The Company is an investment holding company. The Company together with its subsidiaries and consolidated affiliated entities (together, the "Group") are principally engaged in (i) the provision of loan facilitation services, and advertising and other services ("Transaction Platform Business"); and (ii) the provision of financing lease services and other self-operated services ("Self-operated Financing Business") in the People's Republic of China (the "PRC").

Bitauto Holdings Limited ("Bitauto") is the ultimate controlling shareholder of the Company as at the date of this report. Bitauto and its subsidiary, Bitauto Hong Kong Limited ("Bitauto HK") (collectively the "Controlling Shareholders") are the controlling shareholders of the companies comprising the Group. Bitauto and its subsidiaries are collectively referred to as "Bitauto Group".

The Group's major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi ("RMB"). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government. As at December 31, 2019, other than restrictions from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

The consolidated financial statements are presented in RMB, unless otherwise stated. All companies comprising the Group have adopted December 31 as their financial year-end date.

United States Dollars are defined as "US$" and Hong Kong Dollars are defined as "HK$".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements are prepared on a going concern basis.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 Leases;
- Annual improvements 2015-2017 Cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

The Group had to change its accounting policies following the adoption of IFRS 16, see Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual periods beginning on or after
Revised Conceptual Framework for Financial Reporting	January 1, 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	January 1, 2020
Amendments to IFRS 3 – Definition of a Business	January 1, 2020
IFRS 17 Insurance Contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2.2 Changes in accounting policies

The Group has adopted IFRS 16 on January 1, 2019, which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.1%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	**138,788**
Recognition exemption – short-term leases	**(1,635)**
Decrease in future payments due to changes in lease arrangements	**(83,008)**
Effect from discounting at the incremental borrowing rate as at January 1, 2019	**(4,465)**
Lease liability recognised as at January 1, 2019	**49,680**
Of which are:	
Current lease liabilities	**29,571**
Non-current lease liabilities	**20,109**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018.

The recognised right-of-use assets relate to the following types of assets:

	January 1, 2019 RMB'000
Properties	53,218

(d) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increase by RMB53,218,000
- prepayments, deposits and other assets – decrease by RMB3,538,000
- lease liabilities – increase by RMB49,680,000

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Agreements

The wholly-owned subsidiary of the Company, Tianjin Kars Information Technology Co., Ltd. ("Tianjin Kars"), has entered into the Contractual Agreements, including Exclusive Business Cooperation Agreement, Exclusive Option Agreements, Equity Pledge Agreements, and Powers of Attorney, with Beijing Yixin Information Technology Co,. Ltd. (北京易鑫信息科技有限公司, "Beijing Yixin") and its equity holders, which enable Tianjin Kars and the Group to:

- govern the financial and operating policies of Beijing Yixin;
- exercise equity holders' voting rights of Beijing Yixin;
- receive substantially all of the economic interest returns generated by Beijing Yixin in consideration for the business support, technical and consulting services provided by Tianjin Kars;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Yixin from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Tianjin Kars may exercise such options at any time until it has acquired all equity interests of Beijing Yixin; and
- obtain a pledge over the entire equity interests of Beijing Yixin from its respective equity holders as collateral security for all of Beijing Yixin's payments due to Tianjin Kars and to secure performance of Beijing Yixin's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has right to exercise power over Beijing Yixin, receive variable returns from its involvement with Beijing Yixin, has the ability to affect those returns through its power over Beijing Yixin and thus is considered to control Beijing Yixin. Consequently, the Company regards Beijing Yixin as controlled structured entity and consolidated the financial position and results of operations of the entity in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Yixin. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Yixin. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Tianjin Kars, Beijing Yixin and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) Business combinations

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

2.3.2 Separate financial statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates (continued)

(a) *Investments in associates in the form of ordinary shares*

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of (losses)/profits of an investment accounted for using the equity method" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

(b) *Investments in associates in the form of redeemable convertible preferred shares*

Investments in associates in the form of ordinary shares with preferential rights or redeemable convertible preferred shares are accounted for as hybrid financial instruments and measured as financial assets at fair value through profit or loss (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "Finance income, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which cases income and expenses are translated at the rate on the dates of the transactions; and
- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line depreciation method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	40 years
– Office equipment	5 years
– Automobiles for corporate uses	5 years
– Automobiles for operating leases	5 years
– Leasehold improvement	Estimated useful lives or remaining lease terms, whichever is shorter

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains, net" in the consolidated income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The Group's goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line amortization method to allocate the cost of trademarks and licenses over their estimated useful lives of 5 to 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(c) Domain names

Domain names are initially recognized and measured at costs incurred to acquire and bring to use the domain names. The costs are amortized on a straight-line basis over the domain names' estimated useful lives of 10 years.

(d) Computer software and technology

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. No software development costs have been capitalized by the Group for the year ended December 31, 2019 (2018: nil).

Research and development expenditures that do not meet these criteria are recognized as "research and development expenses" in the consolidated income statement as incurred. Development costs previously recognised as an expense are not recognized as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(e) Business Cooperation Agreements

The Group underwent two Group reorganizations in 2015 and 2017, respectively (the "2015 Reorganization" and "2017 Reorganization", and collectively the "Reorganizations") to establish the Company as the ultimate holding company of the Group. Under the Reorganizations, the Group acquired the 2015 Traffic Support Services, 2017 Traffic Support Services, Non-compete Undertakings, and Automobile Model Database (collectively referred to as the "Business Cooperation Agreements"), which were recognized as intangible assets at fair value at the date of acquisition. The directly attributable transaction costs to acquire the assets were included in the costs of the intangible assets.

For the traffic support agreement acquired upon the completion of 2015 Reorganization, amortization is provided using the straight-line amortization method over 3 years according to the contract term. For the traffic support agreements acquired upon the completion of 2017 Reorganization, given both parties have agreed upon the total number of transactions leads that should be referred to the Group, the Group expected to utilize the intangible asset based on the number of transaction leads referred and determined the amortization measured on an actual usage basis.

For the Non-compete Undertakings in relation to the used automobile-related business, amortization is calculate using the straight-line amortization method over 15 years.

The Automobile Model Database is amortized using the straight-line amortization method over 20 years, which is the contractual term of the access right to the database.

The amortization charges are included in the "Selling and marketing expenses" of the consolidated income statements.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive Income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement. The Group's assets measured at amortised cost comprise of "Trade receivables", "Finance receivables", "Deposits and other assets", "Restricted cash" and "Cash and cash equivalents" in the consolidated balance sheet.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains, net" in the consolidated income statement as applicable.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its finance receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Risk assurance liabilities

Risk assurance liabilities are recognized as a financial liability at the time risk assurance obligation became effective. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of risk assurance liabilities is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the assurance, or the estimated amount that would be payable to a third party for assuming the obligations.

2.13 Trade and other receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.16 Trade payables

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

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

The funding costs associated with the borrowings for the Group's self-operated financing business are recognized as cost of revenues. The interest expenses associated with the borrowings for the Group's general operations are recognized as finance expenses.

2.19 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Pension obligations

The Group's subsidiaries operating in the PRC have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated income statement as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates the Pre-IPO Share Option and Share Award Schemes (defined in Note 23), under which it receives services from employees and non-employees as consideration for share options and restricted shares (collectively referred to as "Share Awards") of the Company. The fair value of the services received in exchange for the grant of the Share Awards is recognized as an expense on the consolidated income statement.

In terms of the Share Awards awarded, total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of Share Awards that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value), and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options and restricted share units over its equity instruments to the employees and non-employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled to in exchange for transferring promised services or goods to the customer. The Group allocate the transaction price to each performance obligation based on the relative stand-alone selling prices. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

(a) Transaction Platform Business

The Group mainly provides (i) loan facilitation services and (ii) advertising and other services to automakers, automobile dealers and insurance companies. Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled to in exchange for transferring promised services or goods to the customer. The Group allocate the transaction price to each performance obligation based on the relative stand-alone selling price. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

The Group recognizes revenue from loan facilitation services when assisting the customers to complete an automobile financing transaction. Revenue is recognised when performance obligation of the service has been satisfied, being when a transaction is fulfilled and completed. A receivable is also recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

(a) Transaction Platform Business (continued)

Revenue from subscription services is recognized on a straight-line basis over the subscription or listing period. The Group invoices its customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. The Group recognizes the amounts received prior to the transference of service to the customer as a contract liability and records such amounts in advances from customers, which is included in "other payables and accruals" on the Group's consolidated balance sheet.

Financing components

Other than loan facilitation services, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust such transaction prices for the time value of money.

(b) Self-operated Financing Business

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

The Group also recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when control of automobiles has been transferred, being the business partners having full control over the automobiles when the automobiles are delivered to the business partners. Delivery occurs when the automobiles have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the business partners, and either the business partners have accepted the automobiles in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the automobiles are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.25 Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. The Group does not have government grants relating to property and equipment, and other non-current assets.

2.26 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is explained in note 2.2.

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of the 2018, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the Group's operating units.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Group's subsidiaries operate in the PRC and are exposed to foreign exchange risk arising from US$. The Group's foreign exchange risk primarily arises when the recognized assets and liabilities of the Group's PRC subsidiaries are denominated in US$. Considering the HK$ is pegged with the US$, management is of the opinion that the currency exposure arising from HK$ transactions is not significant to the Company.

For the Group's PRC subsidiaries whose functional currency is RMB, if US$ had strengthened/weakened by 5% against RMB with all other variables held constant, the profit/(loss) for the years ended December 31, 2019 and 2018 would have been approximately RMB424,000 higher/lower and RMB843,000 lower/higher, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US$.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's profit/(loss) for the years ended December 31, 2019 and 2018 would have been approximately RMB37,831,000 lower/higher and RMB56,334,000 higher/lower, respectively.

(b) Credit risk

(i) Risk management

Credit risk is managed on group basis. Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables, other receivables, finance receivables and investment in debt instruments.

To manage this risk arising from cash and cash equivalents, and restricted cash, the Group only transacts with state-owned or large medium sized joint-stock commercial banks in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

The Group has policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

Finance receivables are typically secured with automobiles for financing leases and derived from revenues earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains reserves for expected credit losses and these losses have generally been within its expectations.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information.

The Group's investment in debt instruments is considered to be low risk investments. The credibility of the issuer of debt instruments are monitored on a timely basis for credit deterioration.

(ii) impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model:

- finance receivables
- trade receivables
- other receivables

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) impairment of financial assets (continued)

Finance receivables

To measure the expected credit losses, finance receivables have been grouped based on shared credit risk characteristics and number of days past due.

On that basis, provision for expected credit losses as at December 31, 2019 and December 31, 2018 was determined as follows for finance receivables:

December 31, 2019	**Current RMB'000**	**Up to 3 months past due RMB'000**	**Over 3 months past due RMB'000**	**Total RMB'000**
Expected loss rate	**0.45%**	**16.28%**	**40.31%**	**2.46%**
Gross carrying amount (Note 17)	**25,095,848**	**1,816,830**	**671,198**	**27,583,876**
Provision for expected credit losses	**113,329**	**295,863**	**270,535**	**679,727**

December 31, 2018	Current RMB'000	Up to 3 months past due RMB'000	Over 3 months past due RMB'000	Total RMB'000
Expected loss rate	0.46%	17.07%	42.62%	1.38%
Gross carrying amount (Note 17)	35,894,622	1,027,691	411,573	37,333,886
Provision for expected credit losses	164,081	175,424	175,392	514,897

Finance receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Provision for expected credit losses on finance receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) impairment of financial assets (continued)

Trade receivables and other receivables

Management applies the IFRS 9 simplified approach to measure expected credit losses of trade receivables which uses a lifetime expected loss allowance. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. All of the Group's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected loss.

Trade receivables and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group.

Provision for impairment of trade receivables and other receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of the investments (RMB2,153,790,000; 2018: RMB1,789,470,000).

(iv) Off balance-sheet items

Under our arrangements with certain financial institutions in loan facilitation services, the Group is obligated to purchase the relevant loans upon certain specified events of default by car buyers. As of December 31, 2019, the total outstanding balance of loans funded by financial institutions under such arrangements was RMB6,374 million (2018: nil).

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to consistently monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets and financial liabilities based on contractual undiscounted cash flows:

	Note	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At December 31, 2019				
Financial assets				
Finance receivables		19,073,828	12,429,228	31,503,056
Trade receivables	18	1,056,213	–	1,056,213
Deposits and other financial assets		1,042,615	611,608	1,654,223
Restricted cash		1,804,501	115,019	1,919,520
Cash and cash equivalents	20	1,586,817	–	1,586,817
		24,563,974	13,155,855	37,719,829
Financial liabilities				
Borrowings		17,300,767	3,650,887	20,951,654
Trade payables	24	472,328	–	472,328
Lease liabilities		12,490	23,828	36,318
Other financial liabilities		1,286,051	148,439	1,434,490
		19,071,636	3,823,154	22,894,790
Net		5,492,338	9,332,701	14,825,039

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Note	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At December 31, 2018				
Financial assets				
Finance receivables		22,767,805	22,047,169	44,814,974
Trade receivables	18	677,221	–	677,221
Deposits and other financial assets		990,217	558,731	1,548,948
Restricted cash		3,146,081	469,874	3,615,955
Cash and cash equivalents	20	2,116,197	–	2,116,197
		29,697,521	23,075,774	52,773,295
Financial liabilities				
Borrowings		23,033,461	8,774,717	31,808,178
Trade payables	24	693,417	–	693,417
Other financial liabilities		1,594,058	502,515	2,096,573
Off-balance sheet – operating lease commitments		33,951	104,837	138,788
		25,354,887	9,382,069	34,736,956
Net		4,342,634	13,693,705	18,036,339

The Group's financial assets at fair value through profit or loss are the investments in private companies and debt instruments, which are managed on a fair value basis rather than by maturity dates.

(d) Other financial risk

Towards the end of 2019, the Group found itself facing a stricter regulatory environment following the release of some regulations which could adversely affected its loan facilitation services if proper actions are not adopted. In response the Group has commenced a number of actions to address this matter. Management has assessed that in all likelihood the financial impact of these actions will not be significant for the Group, and does not believe that it is probable there will be a material outflow of financial resources during the process of complying with the new regulations. Management will continue to assess the financial impact of these regulations on its business.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet and loans due to related parties) plus lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

The Group's debt to equity ratio and net position of the Group as at December 31, 2019 and 2018 was as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Borrowings (Note 26)	**19,840,169**	30,198,484
Loans due to related parties	**300,000**	1,128,113
Total borrowings	**20,140,169**	31,326,597
Lease liabilities	**29,380**	–
Less: cash and cash equivalents and restricted cash (Note 20)	**(3,494,144)**	(5,654,386)
Net debt	**16,675,405**	25,672,211
Total equity	**15,713,054**	15,417,818
Total capital	**32,388,459**	41,090,029
Gearing ratio	**51%**	62%

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2019 and 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2019:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets:				
Financial assets at fair value through profit or loss	**–**	**–**	**2,550,085**	**2,550,085**

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	–	–	2,098,200	2,098,200

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) *Financial instruments in level 3*

Level 3 instruments of the Group's assets and liabilities include financial assets at fair value through profit or loss.

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended December 31, 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

	Financial assets at fair value through profit or loss	
	2019	2018
	RMB'000	RMB'000
At January 1	**2,098,200**	156,829
Additions	**422,318**	1,941,939
Change in fair value	**–**	2,585
Currency translation differences	**29,567**	(3,153)
At December 31	**2,550,085**	2,098,200
Total unrealized gains and change in fair value for the year	**–**	2,585

There is no transfer from level 1 and level 2 instruments to level 3 for the year ended December 31, 2019. (2018: nil).

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private companies and debt instruments. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc. Major assumptions used in the valuation include assumptions about future growth rates, estimate of weighted average cost of capital (WACC), recent market transactions, estimated discount for marketing and other exposure, etc.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, profit/(loss) for the years ended December 31, 2019 and 2018 would have been approximately RMB246,348,000 higher/lower and RMB209,820,000 lower/higher, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for expected credit losses of finance receivables

The provision for expected credit losses of finance receivables is based on assumptions about risk of default and expected loss rates. Management uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(b) Impairment provision for trade and other receivables

Management assesses the impairment of trade and other receivables according to the trade and other receivables' aging, prior experiences, forward-looking information and customers' credit conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables.

(c) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(d) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. As at December 31, 2019 and 2018, the recoverable amount of CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 14. These growth rates are consistent with management's financial forecast and budget. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 14.

(e) Recognition of deferred tax assets

Deferred income tax assets are mainly recognised for temporary differences such as provisions, accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that it has operating segments as follows:

– Transaction Platform Business

– Self-operated Financing Business

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. Cost of revenues for Transaction Platform Business segment primarily comprised loan facilitation commission fees and other direct service costs. Cost of revenues for Self-operated Financing Business segment primarily comprised funding costs and cost of automobiles sold. The segment operating profit is calculated as segment gross profit minus selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets and "Other gains, net" associated with the respective segment.

The "Finance income, net" is not included in the measurement of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment results for the year ended December 31, 2019 are as follows:

	Year ended December 31, 2019		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	1,759,052	4,040,930	5,799,982
– Recognized at a point in time	1,668,338	264,068	1,932,406
– Recognized over time	90,714	3,776,862	3,867,576
Gross profit	1,035,873	1,730,585	2,766,458
Operating profit/(loss)	446,242	(396,472)	49,770

5 SEGMENT INFORMATION (continued)

The segment results for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	762,002	4,770,630	5,532,632
– Recognized at a point in time	560,274	400,244	960,518
– Recognized over time	201,728	4,370,386	4,572,114
Gross profit	502,684	1,972,739	2,475,423
Operating profit/(loss)	69,984	(253,808)	(183,824)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at December 31, 2019 and 2018, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating profit/(loss) to profit/(loss) before income tax for the years ended December 31, 2019 and 2018 is presented in the consolidated income statements of the Group.

The Group derives revenue from the following services and transfer of goods:

	Year ended December 31,	
	2019 RMB'000	2018 RMB'000
Financing lease services	**3,755,464**	4,101,062
Loan facilitation services	**1,668,299**	538,557
Sales of automobiles	**242,473**	367,897
Advertising and other services	**90,753**	223,445
Operating lease services	**21,397**	264,376
Others	**21,596**	37,295
	5,799,982	5,532,632

6 OTHER GAINS, NET

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Other income from business cooperation arrangements with Yusheng Holdings Limited ("Yusheng") (Note 28(a))	**109,864**	48,102
Government grants	**47,372**	52,210
Gains on disposal of property and equipment and intangible assets	**14,717**	46,299
Fair value gain on financial assets (Note 15)	**–**	2,585
Foreign exchange gains/(losses), net	**1,392**	(16,776)
Bank fees and charges	**(27,476)**	(22,198)
Others, net	**8,647**	1,481
Total	**154,516**	111,703

7 EXPENSES BY NATURE

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Funding costs	**1,902,858**	2,053,367
Employee benefit expenses (Note 8)	**985,533**	1,141,645
Provision for expected credit losses of finance receivables (Note 17)	**811,913**	496,714
Loan facilitation commission fee	**662,551**	192,424
Cost of automobiles sold	**282,134**	401,937
Provision for impairment of trade receivables (Note 18)	**268,466**	169,730
Depreciation and amortization charges	**266,236**	392,317
Expenses incurred for self-operated financing lease business	**171,877**	332,725
Provision for impairment of other non-current assets (Note 19)	**104,761**	–
Marketing and advertising expenditures	**86,989**	293,141
Office and administrative expenses	**86,517**	114,365
Provision for impairment of other receivables (Note 19)	**27,147**	2,596
Auditors' remuneration		
– Audit services	**7,300**	4,257
– Non-audit services	**724**	1,613
Other expenses	**239,722**	231,328
Total	**5,904,728**	5,828,159

8 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**585,125**	611,835
Pension and benefits	**167,284**	180,984
Share-based compensation expenses (Note 23)	**233,124**	348,826
Total employee benefit expenses	**985,533**	1,141,645

(a) Senior management's emoluments

Senior management includes executive directors and other senior management personnel. The aggregate compensation paid/payable to senior management for employee services is as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**15,258**	15,634
Pension and benefits	**307**	664
Share-based compensation expenses	**125,924**	259,779
	141,489	276,077

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended December 31,	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$13,500,001 to HK$14,000,000	**–**	1
HK$24,000,001 to HK$24,500,000	**1**	–
HK$29,500,001 to HK$30,000,000	**1**	–
HK$49,000,001 to HK$49,500,000	**–**	1
HK$71,000,001 to HK$71,500,000	**–**	1
HK$76,500,001 to HK$77,000,000	**1**	–
HK$167,000,001 to HK$167,500,000	**–**	1
	6	9

8 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2019 include 2 directors (2018: 2) whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 3 for each of the year ended December 31, 2019 (2018: 3) are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**9,262**	6,360
Pension and benefits	**124**	68
Share-based compensation expenses	**31,998**	60,520
	41,384	66,948

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended December 31,	
	2019	2018
HK$7,000,001 to HK$7,500,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–
HK$13,500,001 to HK$14,000,000	**–**	1
HK$16,500,001 to HK$17,000,000	**–**	1
HK$29,500,001 to HK$30,000,000	**1**	–
HK$49,000,001 to HK$49,500,000	**–**	1
	3	3

For the year ended December 31, 2019 and 2018, there was no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 FINANCE INCOME, NET

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Finance income:		
– Interest income	**66,913**	61,663
Finance expenses:		
– Interest expenses	**(38,780)**	(34,097)
Net finance income	**28,133**	27,566

10 INCOME TAX EXPENSE

Income tax expense of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Current income tax	**252,381**	146,496
Deferred income tax (Note 27)	**(207,301)**	(134,792)
Income tax expense	**45,080**	11,704

The reconciliation of Group's actual income tax expenses to the Group's theoretical income tax amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities is as follows:

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Profit/(loss) before income tax	**76,016**	(154,876)
Tax calculated at PRC statutory income tax rate of 25%	**19,004**	(38,719)
Tax effects of:		
– Differential income tax rates applicable to certain entities comprising the Group (Note (a),(b))	**68,577**	93,984
– Tax effect of preferential tax treatments (Note (c))	**(84,223)**	(90,504)
– Expenses not deductible for tax purposes	**45,016**	54,375
– Tax losses for which no deferred income tax asset was recognized	**7,702**	10,434
– Utilization of previously unrecognized tax losses	**(3,231)**	(18,508)
– Additional deduction of research and development expense	**(6,142)**	–
Others	**(1,623)**	642
Income tax expense	**45,080**	11,704

10 INCOME TAX EXPENSE (continued)

(a) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company is not subject to any income tax.

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2019 and December 31, 2018.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2019 and December 31, 2018, based on the existing legislation, interpretations and practices in respect thereof.

Shanghai Lanshu Information Technology Co., Ltd. ("Shanghai Lanshu") was accredited as a "software enterprise" under the relevant PRC laws and regulations in 2017. Therefore, Shanghai Lanshu is exempted from EIT for two years starting from the year ended December 31, 2017, followed by a 50% reduction in the applicable tax rates for the next three years.

In accordance with relevant PRC laws and regulations, Xinjiang Yin'an Information Technology Co., Ltd. ("Xinjiang Yin'an") and Xinjiang Wanxing Information Technology Co., Ltd. ("Xinjiang Wanxing") are exempted from EIT for five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

(d) PRC Withholding Tax ("WHT")

According to the PRC Enterprise Income Tax Law ("EIT Law"), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

For the years ended December 31, 2019 and December 31, 2018, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

11 PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31	
	2019	2018
Weighted average number of issued ordinary shares	**6,248,480,382**	6,195,185,036
Less: shares held for restricted share scheme	**(3,513,493)**	(542,740)
Weighted average number of issued ordinary shares for calculating basic profit/(loss) per share	**6,244,966,889**	6,194,642,296
Basic profit/(loss) attributable to owners of the Company (RMB'000)	**30,936**	(166,580)
Diluted impact on profit/(loss) (RMB'000)	**–**	–
Diluted profit/(loss) attributable to owners of the Company (RMB'000)	**30,936**	(166,580)
Numbers of restricted shares with potential dilutive effect (Note (b)(c))	**236,677,268**	–
Weighted average number of issued ordinary shares for calculating diluted profit/(loss) per share (Note (b))	**6,481,644,157**	6,194,642,296
Profit/(loss) per share		
– Basic (RMB per share)	**0.01**	(0.03)
– Diluted (RMB per share)	**0.01**	(0.03)

Notes:

(a) Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2019 and 2018, the Company's dilutive potential ordinary shares comprise shares options and restricted shares awarded under the Pre-IPO Share Option Scheme and the First and Second Share Award Scheme (Note 23).

(b) For the year ended December 31, 2019, a calculation is done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding unexercised awarded options and unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of the share options and restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted profit per share.

(c) As the Group incurred loss for the year ended December 31, 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the year ended December 31, 2018 were the same as basic loss per share.

12 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Office equipment RMB'000	Automobiles for corporate uses RMB'000	Automobiles for operating leases RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at January 1, 2019						
Cost	–	56,371	12,779	417,793	15,318	502,261
Accumulated depreciation	–	(18,659)	(3,334)	(119,921)	(7,117)	(149,031)
Net book amount	–	37,712	9,445	297,872	8,201	353,230
For the year ended December 31, 2019						
Opening net book amount	–	37,712	9,445	297,872	8,201	353,230
Additions	27,380	10,187	3,040	3,897	6,210	50,714
Disposals	–	(4,687)	(967)	(242,147)	(95)	(247,896)
Depreciation charge	–	(11,146)	(3,017)	(30,126)	(3,379)	(47,668)
Closing net book amount	27,380	32,066	8,501	29,496	10,937	108,380
As at December 31, 2019						
Cost	27,380	59,807	14,686	56,282	21,301	179,456
Accumulated depreciation	–	(27,741)	(6,185)	(26,786)	(10,364)	(71,076)
Net book amount	27,380	32,066	8,501	29,496	10,937	108,380

12 PROPERTY AND EQUIPMENT (continued)

	Office equipment RMB'000	Automobiles for corporate uses RMB'000	Automobiles for operating leases RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at January 1, 2018					
Cost	52,357	10,438	1,267,556	13,951	1,344,302
Accumulated depreciation	(10,124)	(1,408)	(120,013)	(4,213)	(135,758)
Net book amount	42,233	9,030	1,147,543	9,738	1,208,544
For the year ended December 31, 2018					
Opening net book amount	42,233	9,030	1,147,543	9,738	1,208,544
Additions	19,781	3,407	159,819	1,442	184,449
Disposals	(12,834)	(776)	(805,429)	(111)	(819,150)
Depreciation charge	(11,468)	(2,216)	(204,061)	(2,868)	(220,613)
Closing net book amount	37,712	9,445	297,872	8,201	353,230
As at December 31, 2018					
Cost	56,371	12,779	417,793	15,318	502,261
Accumulated depreciation	(18,659)	(3,334)	(119,921)	(7,117)	(149,031)
Net book amount	37,712	9,445	297,872	8,201	353,230

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019 RMB'000	2018 RMB'000
Cost of revenues	**30,126**	204,061
Selling and marketing expenses	**3,213**	3,385
Administrative expenses	**13,930**	12,334
Research and development expenses	**399**	833
	47,668	220,613

13 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at December 31, 2019 RMB'000	As at January 1, 2019 RMB'000
Right-of-use assets		
Properties	34,958	53,218
Lease liabilities		
Current	12,279	29,571
Non-current	17,101	20,109
	29,380	49,680

Additions to the right-of-use assets during the year ended December 31, 2019 were RMB17,124,000.

	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000
Depreciation charge of right-of-use assets		
Properties	35,384	–
Interest expense (included in finance expenses)	2,867	–
Expense relating to short-term leases (included in administrative expenses, selling and marketing expenses, and research and development expenses)	26,244	–

The total cash outflow for leases in 2019 was RMB35,355,000.

14 INTANGIBLE ASSETS

	Goodwill (a) RMB'000	Trademarks and licenses RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements RMB'000	Total RMB'000
As at January 1, 2019						
Cost	105,131	33,668	12,828	21,836	2,344,363	2,517,826
Accumulated amortization	–	(7,600)	(3,190)	(3,713)	(343,842)	(358,345)
Net book amount	105,131	26,068	9,638	18,123	2,000,521	2,159,481
For the year ended December 31, 2019						
Opening net book amount	105,131	26,068	9,638	18,123	2,000,521	2,159,481
Additions	500	7,003	–	6,278	–	13,781
Amortization charge	–	(3,367)	(1,282)	(3,637)	(174,898)	(183,184)
Closing net book amount	105,631	29,704	8,356	20,764	1,825,623	1,990,078
As at December 31, 2019						
Cost	105,631	40,671	12,828	28,114	2,344,363	2,531,607
Accumulated amortization	–	(10,967)	(4,472)	(7,350)	(518,740)	(541,529)
Net book amount	105,631	29,704	8,356	20,764	1,825,623	1,990,078

14 INTANGIBLE ASSETS (continued)

	Goodwill (a) RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements RMB'000	Total RMB'000
As at January 1, 2018							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	–	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
For the year ended December 31, 2018							
Opening net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
Additions	–	–	–	–	9,062	–	9,062
Disposals	(11,585)	(6)	(25,609)	(14,787)	(10,651)	–	(62,638)
Amortization charge	–	(3,367)	(1,340)	(1,992)	(3,629)	(161,376)	(171,704)
Closing net book amount	105,131	26,068	–	9,638	18,123	2,000,521	2,159,481
As at December 31, 2018							
Cost	105,131	33,668	–	12,828	21,836	2,344,363	2,517,826
Accumulated amortization	–	(7,600)	–	(3,190)	(3,713)	(343,842)	(358,345)
Net book amount	105,131	26,068	–	9,638	18,123	2,000,521	2,159,481

Notes:

(a) Impairment test for goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. As at December 31, 2019, the goodwill is monitored by management at the operating segment level, as identified in Note 5. A segment level summary of the goodwill allocation is presented below.

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Transaction Platform Business		
– KKC	**104,263**	104,263
Others	**1,368**	868
	105,631	105,131

14 INTANGIBLE ASSETS (continued)

(a) Impairment test for goodwill (continued)

As at December 31, 2019, the goodwill impairment test was performed at operating segment level. The recoverable amount was determined based on value-in-use calculations. These calculations used after-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows of extrapolated using the estimated growth rates stated below beyond the five-years period. The Group believes that it is appropriate to cover a five-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group.

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 9.2% for a five-year period, and (ii) discount rate, which is 20.0%. The estimated growth rate used in the value-in-use calculations for period beyond the five-year period is 3.0%.

The revenue growth rates applied by the Group are consistent with management's financial forecast and budget. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the after-tax interest rate that is able to reflect the risks.

As at December 31, 2019, the directors are of the view that there was no evidence of impairment of goodwill.

As at December 31, 2019, the directors are not aware of any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Cost of revenues	**2,580**	3,915
Selling and marketing expenses	**174,987**	163,581
Administrative expenses	**5,617**	3,720
Research and development expenses	**–**	488
	183,184	171,704

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**2,098,200**	156,829
Additions	**422,318**	1,941,939
Fair value gain	**–**	2,585
Currency translation differences	**29,567**	(3,153)
At end of the year	**2,550,085**	2,098,200

For the years ended December 31, 2019, the Group recorded no fair value gain or loss (2018: fair value gain of RMB2,585,000) against the carrying amount of its investments in the investee companies, respectively, based on results of its fair value assessment.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Assets as per balance sheet		
Financial assets at fair value through profit or loss:		
– Long-term investments (Note 15)	**2,550,085**	2,098,200
Financial assets at amortized cost:		
– Finance receivables (Note 17)	**26,904,149**	36,818,989
– Trade receivables (Note 18)	**1,056,213**	677,221
– Deposits and other receivables	**1,666,416**	1,548,948
– Restricted cash (Note 20(b))	**1,907,327**	3,538,189
– Cash and cash equivalents (Note 20(a))	**1,586,817**	2,116,197
	35,671,007	46,797,744

16 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	As at December 31, 2019 RMB'000	2018 RMB'000
Liabilities as per balance sheet		
Financial liabilities at amortized cost:		
– Borrowings (Note 26)	**19,840,169**	30,198,484
– Trade payables (Note 24)	**472,328**	693,417
– Other payables (excluding advance from customers, staff costs and welfare accruals, tax payable, deferred revenue and other accruals)	**1,220,458**	1,594,058
– Other non-current liabilities (excluding deferred revenue) (Note 28)	**148,439**	502,515
Risk assurance liabilities (Note 25)	**65,593**	–
Lease liabilities (Note 13)	**29,380**	–
	21,776,367	32,988,474

17 FINANCE RECEIVABLES

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at December 31, 2019 and 2018 are as below:

	As at December 31, 2019 RMB'000	2018 RMB'000
Finance receivables		
– Finance receivables, gross	**32,182,783**	44,814,974
– Unearned finance income	**(4,598,907)**	(7,481,088)
Finance receivables, net	**27,583,876**	37,333,886
Less: provision for expected credit losses	**(679,727)**	(514,897)
Carrying amount of finance receivables	**26,904,149**	36,818,989
Finance receivables, gross		
– Within one year	**19,493,382**	22,767,805
– After one year but not more than five years	**12,689,401**	22,047,169
	32,182,783	44,814,974
Finance receivables, net		
– Within one year	**17,130,749**	19,066,088
– After one year but not more than five years	**10,453,127**	18,267,798
Total	**27,583,876**	37,333,886

17 FINANCE RECEIVABLES (continued)

The following table sets forth the carrying amount of finance receivables by major categories:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Finance receivables:		
– Individual customers	**26,766,625**	36,584,722
– Auto dealers	**137,524**	234,267
	26,904,149	36,818,989

An aging analysis of finance receivables is as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Not past due	**25,095,848**	35,894,622
Past due		
– Up to 3 months	**1,816,830**	1,027,691
– 3 to 6 months	**527,688**	219,112
– Over 6 months	**143,510**	192,461
Finance receivables, net	**27,583,876**	37,333,886
Less: provision for expected credit losses	**(679,727)**	(514,897)
Carrying amount of finance receivables	**26,904,149**	36,818,989

As at December 31, 2019 and 2018, carrying amounts of the finance receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

Movements on the Group's provision for expected credit losses of finance receivables are as follows:

	Provision for expected credit losses	
	2019	2018
	RMB'000	RMB'000
At January 1	**514,897**	320,509
Recovery of finance receivables written off in previous year	**8,567**	9,851
Charge for the year		
– Impairment allowance on finance receivables charged	**820,480**	506,565
– Reversal of impairment for the year	**(8,567)**	(9,851)
Write off	**(655,650)**	(312,177)
At December 31	**679,727**	514,897

18 TRADE RECEIVABLES

	As at December 31, 2019 RMB'000	2018 RMB'000
Trade receivables	**1,153,611**	919,210
Less: provision for impairment	**(97,398)**	(241,989)
Trade receivables, net	**1,056,213**	677,221

(a) An aging analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	As at December 31, 2019 RMB'000	2018 RMB'000
Up to 3 months	**1,001,303**	358,049
3 to 6 months	**382**	18,773
Over 6 months	**54,528**	300,399
	1,056,213	677,221

As at December 31, 2019 and 2018, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

(b) Movements on the Group's provision for impairment of trade receivables are as follows:

	Provision for impairment 2019 RMB'000	2018 RMB'000
At January 1	**241,989**	72,259
Charge for the year	**268,466**	169,730
Write off	**(413,057)**	–
At December 31	**97,398**	241,989

19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31, 2019 RMB'000	2018 RMB'000
Included in non-current assets:		
Property not available for use	**422,207**	–
Prepayment for a capital investment	**400,000**	–
Long-term receivables from loan facilitation services	**373,711**	53,973
Vehicles collected from financing lease customers	**323,351**	–
Deposits	**235,401**	502,074
Vehicles purchased for future leases	**31,532**	359,760
Long-term prepaid expense	**13,059**	74,113
Prepayment for vehicles	**10,957**	149,215
Others	**2,496**	2,684
	1,812,714	1,141,819
Less: provision for impairment of vehicles collected from financing lease customers	**(104,761)**	–
	1,707,953	1,141,819
Included in current assets:		
Deposits	**369,865**	184,718
Other receivables from third parties	**287,373**	435,313
Prepaid taxes	**181,194**	354,655
Other receivables from disposal of assets	**157,459**	104,357
Loans to third parties (a)	**83,980**	153,057
Loans recognized as a result of payment under risk assurance	**69,186**	–
Loans to related parties	**41,000**	19,000
Prepayments	**22,841**	38,716
Advances to used car dealers	**11,759**	11,774
Operational advance to employees	**2,406**	10,405
Others	**85,945**	117,057
	1,313,008	1,429,052
Less: provision for impairment of other receivables	**(51,239)**	(24,092)
	1,261,769	1,404,960
Total	**2,969,722**	2,546,779

Notes:

(a) The loans to third parties are arranged to be recovered by the end of June 2020 given the business terms.

19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (continued)

As at December 31 2019 and 2018, the carrying amounts of prepayments, deposits and other assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates. As at December 31, 2019 and 2018, there are no significant balances that are past due.

	Provision for impairment	
	2019	2018
	RMB'000	RMB'000
At January 1, 2019	**24,092**	21,496
Charge for the year	**131,908**	2,596
At December 31, 2019	**156,000**	24,092

20 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**1,586,817**	2,116,197

As at December 31, 2019 and 2018, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
US$	**44,985**	27,142
HK$	**11,852**	20,469
RMB	**1,529,980**	2,068,586
	1,586,817	2,116,197

20 CASH AND BANK BALANCES (continued)

(b) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Term deposits pledged for bank borrowings (a)	**1,101,478**	3,124,554
Cash pledged for loan facilitation services (b)	**494,460**	2,904
Cash deposited for borrowings (c)	**142,986**	401,041
Others	**168,403**	9,690
	1,907,327	3,538,189
Of which are:		
Current restricted cash	**1,793,009**	3,092,081
Non-current restricted cash	**114,318**	446,108

Notes:

(a) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings.

(b) The balance represents the deposits placed with banks and used as pledged assets for the Group's loan facilitation services.

(c) The balance represents the cash deposited for bank borrowings and cash collected from the finance receivables that are deposited for asset-backed securitization or other secured borrowings by the Group. Such balance is restricted from withdrawal by the Group.

20 CASH AND BANK BALANCES (continued)

(b) Restricted cash (continued)

As at December 31, 2019 and 2018, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at December 31, 2019 RMB'000	2018 RMB'000
US$	**153,476**	2,127,592
HK$	**877,864**	884,962
RMB	**875,987**	525,635
	1,907,327	3,538,189

As at December 31, 2019, the applicable interest rates per annum on restricted cash ranged from 0.30% to 2.75% (2018: 0.30% to 3.28%).

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US$'000	Number of preferred shares	Nominal value of preferred shares US$'000
Authorized:				
As at January 1 and December 31, 2019	**15,000,000,000**	**1,500**	**–**	**–**
As at January 1 and December 31, 2018	15,000,000,000	1,500	–	–

21 SHARE CAPITAL AND SHARE PREMIUM (continued)

	Note	Number of ordinary shares	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
At January 1, 2019		**6,370,479,652**	**621**	**4,114**	**34,592,150**
Release of ordinary shares from Share Scheme Trusts	(a)	**–**	**2**	**16**	**87,406**
Shares issued upon exercise of employee share options	(c)	**3,205,396**	**–**	**2**	**11,490**
Vesting of restricted awarded shares	(d)	**–**	**2**	**16**	**48,147**
As at December 31, 2019		**6,373,685,048**	**625**	**4,148**	**34,739,193**
At January 1, 2018		6,276,322,474	616	4,080	34,409,418
Newly issued ordinary shares	(b)	90,905,148	–	–	–
Release of ordinary shares from Share Scheme Trusts	(a)	–	5	31	167,713
Shares issued upon exercise of employee share options	(c)	3,252,030	–	2	11,655
Vesting of restricted awarded shares	(d)	–	–	1	3,364
As at December 31, 2018		6,370,479,652	621	4,114	34,592,150

Notes:

(a) On October 12, 2017, the Company modified the share option agreement with 20 grantees, including 1 director, 6 other senior management members, and 13 other employees, by immediately vesting a total of 15,957,262 share options held by the grantees. On the same date, the grantees exercised the share options in full for 15,957,262 ordinary shares issued by the Company and transferred 7,167,993, 3,439,269 and 5,350,000 ordinary shares to Xindu Limited, Spring Forests Limited and Yidu Limited, respectively, which are trusts established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts"). The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification. The ordinary shares held by Share Scheme Trusts are not considered issued and outstanding until the grantee's entitlement of the trusts is vested. As at December 31, 2019, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834, after giving effect to the Capitalization Issue (2018: 111,700,834). 72,316,860 ordinary shares held by Share Scheme Trusts are issued and outstanding (2018: 47,789,392).

(b) On July 17, 2018 and December 20, 2018, the Company allotted 43,405,148 and 47,500,000 ordinary shares pursuant to the First Share Award Scheme, respectively, for the purpose of granting awarded restricted shares to the participants under the share award schemes.

(c) During the year ended December 31, 2019, 3,205,396 pre-IPO share options with exercise price of US$0.0014 were exercised.

(d) During the year ended December 31, 2019, 24,325,020 ordinary shares of the Company were transferred (2018: 2,621,252) to the share awardees upon vesting of the awarded shares (Note 23).

22 OTHER RESERVES

	Note	Capital Reserves RMB'000	Statutory surplus reserve (a) RMB'000	Share-based compensation reserve RMB'000	Shares held for share award scheme RMB'000	Currency translation differences (b) RMB'000	Total RMB'000
At January 1, 2019		**(431,554)**	**78,005**	**1,091,870**	**(4,105)**	**276,532**	**1,010,748**
Currency translation differences		**–**	**–**	**–**	**–**	**33,493**	**33,493**
Share-based compensation	*23*	**–**	**–**	**233,124**	**–**	**–**	**233,124**
Release of ordinary shares from Share Scheme Trusts	*23*	**–**	**–**	**(87,190)**	**–**	**–**	**(87,190)**
Shares issued upon exercise of employee share options		**–**	**–**	**(11,460)**	**–**	**–**	**(11,460)**
Vesting of restricted awarded shares		**–**	**–**	**(52,960)**	**4,797**	**–**	**(48,163)**
Purchase of restricted shares under share award scheme	*23*	**–**	**–**	**–**	**(2,581)**	**–**	**(2,581)**
Appropriation to statutory reserves		**–**	**10,399**	**–**	**–**	**–**	**10,399**
At December 31, 2019		**(431,554)**	**88,404**	**1,173,384**	**(1,889)**	**310,025**	**1,138,370**
At January 1, 2018		(431,554)	64,267	925,597	–	239,336	797,646
Currency translation differences		–	–	–	–	37,196	37,196
Share-based compensation	*23*	–	–	348,826	–	–	348,826
Release of ordinary shares from Share Scheme Trusts	*23*	–	–	(167,300)	–	–	(167,300)
Shares issued upon exercise of employee share options		–	–	(11,626)	–	–	(11,626)
Vesting of restricted awarded shares		–	–	(3,627)	(2,520)	–	(6,147)
Purchase of restricted shares under share award scheme	*23*	–	–	–	(1,585)	–	(1,585)
Appropriation to statutory reserves		–	13,738	–	–	–	13,738
At December 31, 2018		(431,554)	78,005	1,091,870	(4,105)	276,532	1,010,748

Notes:

(a) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profits for the year after offsetting accumulated losses carried forward from prior years and before distribution to equity holders. The percentages to be appropriated to such statutory reserves are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated statutory surplus reserve fund is 50% or more of the registered capital of the subsidiaries.

(b) Currency translation differences represent the differences arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

23 SHARE-BASED PAYMENTS

The total expenses recognized in the consolidated income statement for share-based awards granted to the Group's employees are RMB233,124,000 for the year ended December 31, 2019 (2018: RMB348,826,000).

(a) Shares options granted to employees under the Pre-IPO Share Option Scheme

The exercise price of the granted options to employees is US$0.0014. The options have graded vesting terms determined in the grant letter, on the condition that employees remain in service without any performance requirements. The vesting dates are determined by the Company and grantees for each option agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options granted to employees outstanding are as follows:

	Number of share options	
	2019	2018
Outstanding as at January 1	**333,228,714**	392,429,709
Exercised during the year	**(27,732,848)**	(49,907,422)
Forfeited during the year	**(1,878,126)**	(9,293,573)
Outstanding as at December 31	**303,617,740**	333,228,714
Exercisable as at December 31	**226,553,172**	210,367,397

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate.

23 SHARE-BASED PAYMENTS (continued)

(a) Shares options granted to employees under the Pre-IPO Share Option Scheme (continued)

Based on fair value of the underlying ordinary share, the directors have used Binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	July 3, 2017	October 1, 2017
Fair value per share	US$3.70	US$ 4.90
Exercise price	US$0.01	US$ 0.01
Risk-free interest rate	2.50%	2.46%
Dividend yield	0.00%	0.00%
Expected volatility	51%	56%
Expected terms	10 years	10 years
Weighted-average fair value per option granted	US$3.69	US$ 4.89
Weighted-average fair value per option granted (after the effect of the Capitalization Issue)	US$0.53	US$ 0.70

The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life closed to the remaining maturity life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

(b) Restricted shares units ("RSUs") granted to employees under the First and Second Share Award Scheme

Starting from 2018, the Group granted RSUs to the Group's employees under the First and Second Share Award Scheme ("Share Award Scheme"). The RSUs granted would vest on specific dates, or in equal tranches from the grant date over two to four years, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

23 SHARE-BASED PAYMENTS (continued)

(b) Restricted shares units ("RSUs") granted to employees under the First and Second Share Award Scheme (continued)

Movements in the number of RSUs granted to the Group's employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average fair value per RSU (US$)
Outstanding as at January 1, 2019	99,737,126	USD0.30
Granted during the year	7,773,895	USD0.23
Vested and sold during the year	(24,325,020)	USD0.30
Forfeited during the year	(7,575,214)	USD0.31
Outstanding as at December 31, 2019	75,610,787	USD0.29
Vested as at December 31, 2019	26,946,272	USD0.31
Outstanding as at January 1, 2018	–	
Granted during the year	106,897,010	USD0.31
Vested and sold during the year	(2,621,252)	USD0.35
Forfeited during the year	(4,538,632)	USD0.40
Outstanding as at December 31, 2018	99,737,126	USD0.30
Vested as at December 31, 2018	2,621,252	USD0.35

The fair value of RSUs is determined based on the closing price of the Group's publicly traded ordinary shares on the date of grant.

(c) Expected Retention Rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options and RSUs (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at December 31, 2019, the Expected Retention Rate for the Group's directors, senior management members, and other employees was assessed to be 100%, 100% and 91%, respectively (December 31, 2018: 100%, 100% and 91%).

24 TRADE PAYABLES

	As at December 31, 2019 RMB'000	2018 RMB'000
Trade payables	**472,328**	661,117
Notes Payables	**–**	32,300
	472,328	693,417

An aging analysis of trade payables based on invoice date is as follows:

	As at December 31, 2019 RMB'000	2018 RMB'000
Up to 3 months	**227,743**	327,109
3 to 6 moths	**24,909**	54,711
6 months to 1 year	**68,431**	82,407
Over 1 year	**151,245**	229,190
	472,328	693,417

25 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Loans payable to Bitauto Group (Note 32(f))	**301,295**	786,430
Other payables to related parties	**245,659**	82,205
Deposits payable	**219,654**	273,378
Advance from customers	**152,912**	168,583
Interests payable	**145,986**	227,608
Deferred revenue – current	**109,564**	164,867
Staff costs and welfare accruals	**81,110**	88,589
Accrued expenses	**80,289**	63,790
Risk assurance liabilities	**65,593**	–
Tax payable	**49,069**	93,285
Others	**307,864**	224,437
	1,758,995	2,173,172

As at December 31, 2019 and 2018, the carrying amounts of the Group's other payables and accruals, excluding advance from customers, staff costs and welfare accruals and other accruals, approximate their fair values at each of the reporting date.

26 BORROWINGS

	As at December 31, 2019 RMB'000	2018 RMB'000
Included in non-current liabilities:		
Pledge borrowings (a)	**304,134**	299,980
Asset-backed securitization debt (b)	**1,167,910**	3,764,348
Other secured borrowings (c)	**1,868,180**	3,214,449
Unsecured borrowings (d)	**91,300**	1,112,327
	3,431,524	8,391,104
Included in current liabilities:		
Pledge borrowings (a)	**1,022,882**	2,673,881
Borrowings guaranteed by Bitauto Group	**–**	471,200
Asset-backed securitization debt (b)	**6,201,021**	10,021,333
Other secured borrowings (c)	**7,659,628**	5,777,585
Unsecured borrowings (d)	**1,525,114**	2,863,381
	16,408,645	21,807,380
Total borrowings	**19,840,169**	30,198,484

Notes:

(a) The pledge borrowings are collateralized by a pledge of term deposits with carrying values of RMB1,101,478,000 (2018:RMB3,124,554,000) and the Group's finance receivables amounting to RMB91,650,000 (2018: RMB20,939,000) as at December 31, 2019.

(b) The Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribed a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered controlled structured entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current borrowings in the consolidated balance sheets based on their respective expected repayment dates. As at December 31, 2019, the carrying amount of finance receivables that we collateralized in securitization transactions was RMB10,136,325,000 (2018: RMB16,198,732,000).

26 BORROWINGS (continued)

(c) As at December 31, 2019, borrowings amounting to RMB6,860,458,000 (2018: RMB8,122,034,000) are secured by the cash proceeds of certain of the Group's finance receivables. As at December 31, 2019, the finance receivables amounting to RMB6,516,064,000 (2018: RMB7,800,092,000) are used as pledge for such borrowings.

Borrowings amounting to RMB2,667,350,000 (2018: RMB870,000,000) were extended to the Group to expand the self-operated financing business. All finance receivables generated by the Group utilizing the proceeds of the borrowings shall be pledged to secure the borrowings. As at December 31, 2019, the finance receivables amounting to RMB2,887,900,000 (2018: RMB1,021,194,000) are used as pledge for such borrowings.

(d) As at December 31, 2019, (1) borrowings amounting to RMB1,524,364,000 (2018: RMB3,013,348,000) are guaranteed by the Company and its certain subsidiaries; (2) borrowings amounting to RMB92,050,000 (2018: RMB962,360,000) are unsecured loans.

The borrowings are repayable as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**16,408,645**	21,807,380
Between 1 and 2 years	**3,044,209**	7,916,841
Between 2 and 5 years	**283,315**	474,263
Over 5 years	**104,000**	–
	19,840,169	30,198,484

As at December 31, 2019, the applicable interest rates per annum on long-term borrowings range from 4.75% to 9.50% (2018: 4.75% to 10.50%).

As at December 31, 2019, the applicable interest rates per annum on short-term borrowings range from 4.35% to 9.50% (2018: 4.19% to 10.00%).

As at December 31, 2019 and 2018, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

27 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31, 2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– To be recovered within 12 months	**423,679**	216,543
Deferred income tax liabilities:		
– To be recovered after 12 months	**(2,573)**	(2,738)
– To be recovered within 12 months	**(164)**	(164)
	(2,737)	(2,902)
Deferred income tax assets, net	**420,942**	213,641

The gross movements on the deferred income tax account are as follows:

	As at December 31, 2019 RMB'000	2018 RMB'000
At January 1	**213,641**	32,264
Credited to consolidated income statement	**207,301**	134,792
Adjustment to retained earnings from adoption of IFRS 9 on January 1, 2018	**–**	46,585
At the end of the year	**420,942**	213,641

27 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities	Fair value gain on financial assets RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At January 1, 2019	**(2,353)**	**(549)**	**(2,902)**
Charged to consolidated income statement	**–**	**165**	**165**
At December 31, 2019	**(2,353)**	**(384)**	**(2,737)**
At January 1, 2018	(1,707)	(14,322)	(16,029)
(Credited)/charged to consolidated income statement	(646)	13,773	13,127
At December 31, 2018	(2,353)	(549)	(2,902)

Deferred income tax assets	Provision for expected credit losses of finance receivables RMB'000	Provision for impairment of trade receivables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	**179,383**	**32,165**	**4,507**	**488**	**216,543**
Credited/(charged) to consolidated income statement	**179,469**	**(4,115)**	**4,728**	**27,054**	**207,136**
At December 31, 2019	**358,852**	**28,050**	**9,235**	**27,542**	**423,679**
At January 1, 2018	87,705	–	4,800	2,373	94,878
Credited/(charged) to consolidated income statement	91,678	32,165	(293)	(1,885)	121,665
At December 31, 2018	179,383	32,165	4,507	488	216,543

27 DEFERRED INCOME TAX (continued)

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

As at December 31, 2019, the Group did not recognize deferred income tax assets of RMB11,716,000 (2018: RMB5,779,000) in respect of cumulative tax losses amounting to RMB46,864,000 (2018: RMB23,116,000) that can be carried forward against future taxable income.

28 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Deferred revenue (a)	**1,344,094**	1,444,920
Long-term deposits payable	**4,780**	14,607
Loans payable to Bitauto Group	**–**	343,160
Other liabilities	**143,659**	144,748
	1,492,533	1,947,435

Note:

(a) On June 13, 2018, the Company and Yusheng entered into the Convertible Note Purchase Agreement, the Business Cooperation Agreement ("BCA") and the Framework Agreement in relation to the Company's investment in Yusheng by way of subscription of the convertible bond. The Company agreed to provide certain cooperation services to Yusheng and/or its affiliates pursuant to the BCA for a term of 20 years. The BCA includes (i) providing certain traffic support in relation to the used automobile transaction business ("Used Automobile Transaction Business"); (ii) providing certain automobile database related services; and (iii) the Group shall not engage in, invest in, own, manage, operate or provide assistance to businesses that may compete with the Used Automobile Transaction Business during predetermined terms. Deferred revenue was initially recognised at fair value of the services in the BCA included in "Other payables and accruals" and "Other non-current liabilities" on the consolidated balance sheet. Other income from business cooperation arrangements with Yusheng was recognised over time within the term of BCA included in "Other gains, net" on the consolidated income statements.

29 DIVIDENDS

No dividends have been paid or declared by the Company during each of the year ended December 31, 2019 and 2018.

30 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Profit/(loss) before income tax	**76,016**	(154,876)
Adjustments for:		
– Provision for impairment of trade receivables (Note 18)	**268,466**	169,730
– Provision for expected credit losses of finance receivables (Note 17)	**811,913**	496,714
– Provision for impairment of other receivables (Note 19)	**27,147**	2,596
– Provision for impairment of other non-current assets (Note 19)	**104,761**	–
– Depreciation of vehicles for operating leases (Note 12)	**30,126**	204,061
– Depreciation of other property and equipment (Note 12)	**17,542**	16,552
– Amortization of intangible assets (Note 14)	**183,184**	171,704
– Gain on disposals of property and equipment	**(888)**	(52,963)
– Share-based compensations (Note 23)	**233,124**	348,826
– Fair value gain of financial assets at fair value through profit or loss (Note 15)	**–**	(2,585)
– Investment loss/(income)	**1,887**	(1,382)
– Interest income (Note 9)	**(66,913)**	(61,663)
– Interest expenses (Note 9)	**38,780**	34,097
– Funding costs (Note 7)	**1,902,858**	2,053,367
– Foreign exchange (gains)/losses, net (Note 6)	**(1,392)**	16,776
– Decrease/(increase) in vehicles for operating leases	**219,848**	(6,930)
– Increase in trade receivables	**(582,415)**	(159,886)
– Decrease/(increase) in finance receivables	**8,856,195**	(7,589,221)
– Decrease in prepayments, deposits and other assets	**408,920**	710,487
– Increase in other operational restricted cash	**(659,959)**	–
– Decrease in trade payables (Note 24)	**(221,089)**	(254,334)
– Decrease in other payables and accruals	**(15,698)**	(43,147)
– (Decrease)/increase in other non-current liabilities	**(12,104)**	20,047
Cash generated from/(used in) operations	**11,620,309**	(4,082,030)

30 CASH FLOW INFORMATION (continued)

(b) Major non-cash transactions

There were no material non-cash transactions for the year ended December 31, 2019 (2018: nil).

(c) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Leases RMB'000	Total RMB'000
As at December 31, 2018	**(30,198,484)**	**–**	**(30,198,484)**
Recognized on adoption of IFRS 16 (Note 2.2)	**–**	**(49,680)**	**(49,680)**
As at January 1, 2019	**(30,198,484)**	**(49,680)**	**(30,248,164)**
Cash flows	**10,430,506**	**35,355**	**10,465,861**
Other non-cash movements	**(72,191)**	**(15,055)**	**(87,246)**
As at December 31, 2019	**(19,840,169)**	**(29,380)**	**(19,869,549)**
As at January 1, 2018	(25,095,135)	–	(25,095,135)
Cash flows	(5,193,245)	–	(5,193,245)
Other non-cash movements	89,896	–	89,896
As at December 31, 2018	(30,198,484)	–	(30,198,484)

The non-cash movements of borrowings are primarily related to the amortization of loan origination fees over the term of borrowings. The non-cash movements of leases included accrued interest expenses and addition of lease liabilities.

31 COMMITMENTS

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

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Capital investment in a related party	**75,000**	–
Purchase of automobiles for future leases	**–**	7,007
	75,000	7,007

32 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest 2019	2018
Bitauto Holdings Limited, together with its subsidiary, Bitauto Hong Kong Limited	Ultimate parent entity and controlling party	Cayman Islands and Hong Kong, respectively	**44.47%**	44.83%

32 RELATED PARTY TRANSACTIONS (continued)

(b) Names and relationships with related parties

Company	Relationship
Bitauto Holdings Limited and its subsidiaries ("Bitauto Group")	Controlling shareholder and its subsidiaries
Beijing Changxing Information Technology Co., Ltd.	Significantly influenced by the controlling shareholder
Shanghai Chetuan Network Information Technology Co., Ltd. ("Chetuan")	Significantly influenced by the controlling shareholder
Beijing Anxinbao Insurance Brokerage Co., Ltd.	Associate
Baidu Online Network Technology (Beijing) Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Beijing Jingzhengu Information Technology Co., Ltd. (i)	Significantly influenced by the controlling shareholder
Shanghai Youyue Information Technology Co., Ltd.(i)	Significantly influenced by the controlling shareholder

(i) Beijing Jingzhengu Information Technology Co., Ltd. and Shanghai Youyue Information Technology Co., Ltd. were entities significantly influenced by Bitauto Group for the year ended December 31, 2018 and became subsidiaries of Bitauto Group on January 1, 2019.

(c) Significant transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties (all amounts are presented net of value-added taxes):

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
(i) Provision of transaction services in accordance with advertising and data services agreements		
Bitauto Group	**13,208**	80,140
(ii) Provision of other transaction services to related parties		
Bitauto Group	**4,798**	–
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**–**	6,000
	4,798	6,000
(iii) Provision of financial services in accordance with automobile leasing agreement		
Bitauto Group	**52**	15,891

32 RELATED PARTY TRANSACTIONS (continued)

(c) Significant transactions with related parties (continued)

	Year ended December 31, **2019** RMB'000	2018 RMB'000
(iv) Purchases of other services from related parties		
Beijing Changxing Information Technology Co., Ltd.	**–**	1,049
Bitauto Group	**2,663**	280
	2,663	1,329
(v) Purchases of used car valuation services in accordance with used auto services agreements		
Bitauto Group	**13,974**	–
Beijing Jingzhengu Information Technology Co., Ltd.	**–**	11,859
Shanghai Youyue Information Technology Co., Ltd.	**–**	8,797
	13,974	20,656
(vi) Purchase of promotional materials from a related party		
Beijing Jingdong Century Information Technology CO., Ltd.	**539**	1,346
(vii) Purchases of vehicles from a related party		
Chetuan	**75,359**	27,219
(viii) Purchase of structured financing services from a related party		
Baidu Online Network Technology (Beijing) Co., Ltd.	**531**	9,387

Note:

(a) In addition to the amounts disclosed above, as part of the 2017 Traffic Support Services, the Group obtained used automobile traffic support services from Bitauto Group free of charge for a term of 3 years and automatically renewable for a further period of 2 years commencing from May 26, 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

32 RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances with related parties

	As at December 31, 2019 RMB'000	2018 RMB'000
(i) Trade receivables due from related parties		
Bitauto Group	**138,017**	123,150
(ii) Finance receivables due from a related party		
Chetuan	**27,694**	105,919
(iii) Other receivables due from related parties		
Bitauto Group	**1,588**	6,100
(iv) Trade and other payables due to related parties for goods and services		
Bitauto Group	**248,106**	82,471
Beijing Jingzhengu Information Technology Co., Ltd.	**–**	2,182
Shanghai Youyue Information Technology Co., Ltd.	**–**	1,890
Baidu Online Network Technology (Beijing) Co., Ltd.	**–**	5,681
	248,106	92,224
(v) Prepayments made to related parties		
Chetuan	**10,300**	98,470
Beijing Jingdong Century Information Technology Co., Ltd.	**711**	6,615
Beijing Changxing Information Technology Co., Ltd.	**1,792**	1,792
	12,803	106,877
(vi) Prepayment for investment in a related party		
Bitauto Group	**400,000**	–

Except for the related parties transactions disclosed under Note 32(f) and (g), balances with other related parties were all unsecured, interest-free, and repayable on demand.

32 RELATED PARTY TRANSACTIONS (continued)

(e) Key management personnel compensations

Key management includes executive directors and other members of the Company's senior management team. The compensations paid or payable to key management for employee services are shown in Note 8(a).

(f) Loans from Bitauto Group

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
At January 1	**1,129,590**	200,132
Loans advanced	**300,000**	1,589,393
Loans repayment made	**(1,144,406)**	(700,000)
Interest charged	**20,595**	17,099
Interest paid	**(21,132)**	(15,630)
Currency translation differences	**16,648**	38,596
At December 31	**301,295**	1,129,590
Including: principles of loans	**300,000**	1,127,989
Accrued interests	**1,295**	1,601

Bitauto Group provided financial assistance to the Group in the form of loans through certain subsidiaries of Bitauto. All loans are unsecured and payable on demand, with the applicable interest rate per annum ranging from 3.00% to 7.50% and 3.00% to 5.22% for years ended December 31, 2019 and 2018, respectively.

(g) Loan to a related party

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**22,000**	–

33 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director for the year ended December 31, 2019 is set out as below:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
Executive Director					
Xuan Zhang	–	3,460	71	74,004	77,535
Dong Jiang	–	1,913	101	19,439	21,453
Non-executive Directors					
James Gordon Mitchell	–	–	–	–	–
Jimmy Chi Ming Lai	–	–	–	–	–
Chenkai Ling	–	–	–	–	–
Huan Zhou (appointed in May, 2019)	–	–	–	–	–
Xuyang Zhang (resigned in May, 2019)	–	–	–	–	–
Independent non-executive Directors					
Tin Fan Yuen	–	1,071	–	1,008	2,079
Chester Tun Ho Kwok	–	1,076	–	1,008	2,084
Lily Li Dong	–	714	–	504	1,218
	–	8,234	172	95,963	104,369

33 BENEFITS AND INTERESTS OF DIRECTORS (continued)

The remuneration of every director for the year ended December 31, 2018 is set out as below:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
Executive Director					
Xuan Zhang	–	2,666	44	138,552	141,262
Dong Jiang	–	1,585	96	58,532	60,213
Non-executive Directors					
James Gordon Mitchell	–	–	–	–	–
Jimmy Chi Ming Lai	–	–	–	–	–
Chenkai Ling	–	–	–	–	–
Xuyang Zhang	–	–	–	–	–
Independent non-executive Directors					
Tin Fan Yuen	–	350	–	1,058	1,408
Chester Tun Ho Kwok	–	354	–	1,058	1,412
Lily Li Dong	–	346	–	529	875
	–	5,301	140	199,729	205,170

Note:

(a) Share-based compensation expenses are calculated by applying graded vesting approach according to IFRS 2 that has the effect of recognizing more expenses up front comparing to recognizing expenses evenly during vesting periods. For Pre-IPO Share Option, expenses are calculated with fair value of each option from US$0.53 to US$0.70 (HK$4.12 to HK$5.46). For the First and Second Share Award Scheme, expenses are calculated with fair value of each share from US$0.23 to US$0.40 (HK$1.83 to HK$3.14). As at December 31, 2019, closing price of the Group on Hong Kong Stock Exchange was HK$1.73 (US$ 0.22).

33 BENEFITS AND INTERESTS OF DIRECTORS (continued)

During the year ended December 31, 2019, there are no retirement or termination benefits have been paid to the Company's directors (2018: nil).

During the year ended December 31, 2019, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: nil).

During the year ended December 31, 2019, none of the Company's directors received any emoluments as an inducement to join or upon joining the Group (2018:nil).

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: nil).

34 CONTINGENCIES

The Group did not have any material contingent liabilities as at December 31, 2019 (2018: nil).

35 SUBSEQUENT EVENTS

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation affecting most industries of the society. Based on current situation, the Group has already assessed the overall impact on the operation of the Group and taken necessary measures to limit the impact. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

Except for disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Company or the Group after December 31, 2019.

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31, 2019 RMB'000	2018 RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**4,566,300**	4,262,910
Prepayments, deposits and other assets	**15,986,626**	15,376,342
	20,552,926	19,639,252
Current assets		
Cash and cash equivalents	**915**	4,379
Total assets	**20,553,841**	19,643,631
EQUITY AND LIABILITIES		
Equity		
Share capital	**4,148**	4,114
Share premium	**34,739,193**	34,592,150
Other reserves	**2,417,192**	2,044,857
Accumulated losses	**(19,263,703)**	(19,274,734)
Total equity	**17,896,830**	17,366,387
Liabilities		
Non-current liabilities		
Other non-current liabilities	**1,414,160**	1,510,635
Current liabilities		
Other payables and accruals	**1,242,851**	766,609
Total liabilities	**2,657,011**	2,277,244
Total equity and liabilities	**20,553,841**	19,643,631

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Accumulated loss RMB'000	Other reserves RMB'000
At January 1, 2019	**(19,274,734)**	**2,044,857**
Loss for the year	**11,031**	**–**
Share-based compensation	**–**	**233,124**
Release of ordinary shares from Share Scheme Trusts	**–**	**(87,190)**
Shares issued upon exercise of employee share options	**–**	**(11,460)**
Shares issued upon vesting of restricted awarded shares	**–**	**(48,163)**
Repurchase of ordinary shares	**–**	**(2,581)**
Currency translation differences	**–**	**288,605**
At December 31, 2019	**(19,263,703)**	**2,417,192**
At January 1, 2018	(19,248,766)	1,055,468
Loss for the year	(25,968)	–
Share-based compensation	–	347,405
Release of ordinary shares from Share Scheme Trusts	–	(167,300)
Shares issued upon exercise of employee share options	–	(11,627)
Shares issued upon vesting of restricted awarded shares	–	(6,148)
Repurchase of ordinary shares	–	(1,585)
Currency translation differences	–	828,644
At December 31, 2018	(19,274,734)	2,044,857

37 SUBSIDIARIES

The following is a list of the principal subsidiaries at December 31, 2019:

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31, 2019	2018
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong, November 27, 2014, limited liability company	Investment holding, Hong Kong	HK$10	100%	100%
KKC Holdings Limited	The Cayman Islands, April 22, 2014, limited liability company	Investment holding, the Cayman Islands	US$7,700	100%	100%
KKC Holdings Limited	Hong Kong, May 8, 2014, limited liability company	Investment holding, Hong Kong	HK$1	100%	100%
Rising Champion International Limited	Hong Kong, June 15, 2018, limited liability company	Investment holding, Hong Kong	HK$1	100%	100%
Eminent Success Holdings Group Limited	British Virgin Islands, June 26, 2018, limited liability company	Investment holding, British Virgin Islands	US$50,000	100%	100%
Beijing KKC Technology Company Limited	The PRC, July 10, 2014, limited liability company#	Transaction services, the PRC	US$11,400,000	100%	100%
Shanghai Yixin Financing Lease Co., Ltd.	The PRC, August 12, 2014, limited liability company*	Leasing services, the PRC	US$1,500,000,000	100%	100%
Xinche Investment (Shanghai) Co., Ltd.	The PRC, January 16, 2015, limited liability company#	Investment holding, the PRC	US$2,000,000,000	100%	100%
Shanghai Lanshu Information Technology Co., Ltd.	The PRC, January 29, 2015, limited liability company*	Technology development, the PRC	RMB50,000,000	100%	100%
Shanghai Techuang Advertisements Co., Ltd.	The PRC, January 29, 2015, limited liability company*	Advertising services, the PRC	US$20,000,000	100%	100%
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	The PRC, May 18, 2015, limited liability company*	Leasing services, the PRC	US$500,000,000	100%	100%
Shenyang Yixin Financial Service Co., Ltd.	The PRC, December 13, 2016, limited liability company*	Financial services, the PRC	RMB10,000,000	100%	100%

37 SUBSIDIARIES (continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31, 2019	2018
Beijing Yixin Auto Leasing Co., Ltd.	The PRC, December 15, 2016, limited liability company	Auto leasing, the PRC	RMB9,000,000	**100%**	100%
Guangzhou Rongche Leasing Co., Ltd.	The PRC, March 8, 2017, limited liability company	Leasing services, the PRC	RMB200,000,000	**100%**	100%
Tianjin Huibao Advertising Co., Ltd	The PRC, August 10,2017, limited liability company#	Advertising services, the PRC	US$2,000,000	**100%**	100%
Xinjiang Yin'an Information Technology Co., Ltd	The PRC, September 6,2017, limited liability company#	Advertising services, the PRC	US$10,000,000	**100%**	100%
Xinjiang Wanxing Information Technology Co., Ltd	The PRC, January 24, 2018, limited liability company#	Information technology, the PRC	RMB20,000,000	**100%**	100%
Tianjin Wuxin Commercial Factoring Co., Ltd	The PRC, June 12, 2018, limited liability company*	Commercial factoring, the PRC	RMB50,000,000	**100%**	100%
Tianjin Kars Information Technology Co., Ltd	The PRC, June 19, 2018, limited liability company#	Transaction services, the PRC	RMB20,000,000	**100%**	100%
Xinjiang Jinchuan Jiahua Automobile Service Co., Ltd.	The PRC, March 20, 2019, limited liability company*	Transaction services, the PRC	RMB5,000,000	**100%**	–
Shanghai Zengxin Information Technology Co., Ltd.	The PRC, April 25, 2019, limited liability company#	Technology development, the PRC	RMB500,000,000	**100%**	–
Guangdong Haihan Technology Development Co., Ltd	The PRC, November 08, 2019, limited liability company#	Information technology, the PRC	RMB102,200,000	**100%**	–
Guangzhou Shengda Financing Guarantee Company Limited	The PRC, November 12, 2019, limited liability company	Financial services, the PRC	RMB100,170,000	**100%**	–
Beijing Yixin Information Technology Co., Ltd.	The PRC, January 9, 2015, limited liability company	Advertising and subscription services, the PRC	RMB50,000,000	**100%**	100%

Remarks:

\# Registered as wholly foreign owned enterprises under PRC law

* Registered as sino-foreign equity joint venture under PRC law

FIVE-YEAR FINANCIAL SUMMARY

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended December 31,				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	271,275	1,487,897	3,905,509	5,532,632	**5,799,982**
Gross profit	231,277	735,009	2,189,913	2,475,423	**2,766,458**
Profit/(Loss) for the year	(28,206)	(1,404,338)	(18,336,554)	(166,580)	**30,936**
Adjusted net profit (unaudited)	65,603	99,665	464,121	344,716	**439,452**

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at December 31,				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets					
Non-current assets	784,452	9,491,664	21,861,254	24,460,177	**17,137,951**
Current assets	3,081,502	10,559,715	21,005,233	26,082,085	**22,409,003**
Total assets	3,865,954	20,051,379	42,866,487	50,542,262	**39,546,954**
Equity and liabilities					
Equity attributable to owners of the Company	130,359	(1,397,159)	15,342,023	15,417,818	**15,713,054**
Non-controlling interests	–	12,684	–	–	**–**
Total equity	130,359	(1,384,475)	15,342,023	15,417,818	**15,713,054**
Liabilities					
Non-current liabilities	2,617,971	11,401,179	7,840,136	10,341,441	**4,943,895**
Current liabilities	1,117,624	10,034,675	19,684,328	24,783,003	**18,890,005**
Total liabilities	3,735,595	21,435,854	27,524,464	35,124,444	**23,833,900**
Total equity and liabilities	3,865,954	20,051,379	42,866,487	50,542,262	**39,546,954**

DEFINITIONS

"ABSs"	asset-backed securities, which refer to financial securities or notes backed by assets such as receivables, that are issued through public or private offerings
"Annual General Meeting"	the annual general meeting of the Company to be held on June 19, 2020
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Baidu"	Baidu, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: BIDU)
"Beijing Bitauto"	Beijing Bitauto Internet Information Company Limited* (北京易車互聯信息技術有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Bitauto HK
"Beijing Bitauto Interactive"	Beijing Bitauto Interactive Advertising Co., Ltd.* (北京易車互動廣告有限公司), a company established under the laws of the PRC, a wholly-owned subsidiary of Bitauto
"Beijing Bitcar Interactive"	Beijing Bitcar Interactive Information Technology Co., Ltd.* (北京易卡互動信息技術有限公司), a company established under the laws of the PRC and an associate of Bitauto
"Beijing KKC"	Beijing KKC Technology Co., Ltd.* (北京看看車科技有限公司), a company established under the laws of the PRC on July 10, 2014 and our wholly-owned subsidiary
"Beijing Yixin"	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息科技有限公司), a company established under the laws of the PRC on January 9, 2015 and our Consolidated Affiliated Entity
"Bitauto"	Bitauto Holdings Limited, a company incorporated in the Cayman Islands under the laws of the Cayman Islands on October 21, 2005 and currently listed on the NYSE (NYSE: BITA), and a Controlling Shareholder
"Bitauto Group"	Bitauto and/or subsidiaries and its consolidated affiliated entities from time to time, excluding the Group unless the context so requires
"Bitauto HK"	Bitauto Hong Kong Limited (易車香港有限公司), a company incorporated under the laws of Hong Kong on April 27, 2010, and one of our Controlling Shareholders
"Board"	the board of Directors
"Capitalization Issue"	the issue of 4,626,550,692 Shares on the Listing Date to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed "History and Corporate Structure — The Capitalization Issue" of the Prospectus
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time

"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China" or "PRC"	PRC and, except where the context requires and only for the purpose of this annual report, references in this annual report to the PRC or China do not include Taiwan, Hong Kong or Macau
"Company", "our Company", "the Company"	Yixin Group Limited 易鑫集团有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014 and carries on business in Hong Kong as Yixin Automotive Technology Group Limited and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2858)
"Company Secretary"	the company secretary of the Company
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, namely Beijing Yixin
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Beijing KKC, our Consolidated Affiliated Entity and its shareholders, details of which are described in the section headed "Report of the Directors — Connected Transactions — New Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Bitauto and Bitauto HK and each of them shall be referred to as a controlling Shareholder
"Dalian Rongxin"	Dalian Rongxin Financing Guarantees Company Ltd.* (大連融鑫融資擔保有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Beijing Bitauto
"Director(s)"	the director(s) of our Company
"ESG"	Environmental, Social and Governance
"First Share Award Scheme"	the share award scheme conditionally approved and adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — First Share Award Scheme"
"FITE Regulations"	the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, which stipulates that the ultimate foreign equity ownership in a value-added telecommunications services provider shall not exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce business) which may be 100% owned by foreign investors
"Global Offering"	the Hong Kong Public Offering and the International Placing

"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the New Contractual Arrangements) from time to time
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 87,868,000 Shares initially being offered for subscription in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"ICP License"	Value-added Telecommunications Service Operating Permit for Internet information services
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IPO"	initial public offering of the Shares on the Main Board
"JD.com"	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: JD), our substantial Shareholder
"Joint Sponsors"	Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited
"Listing"	the listing of the Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing Date"	November 16, 2017, being the date the Shares were listed on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Memorandum"	the amended memorandum of association of the Company adopted and as amended from time to time
"MIIT"	the Ministry of Industry and Information Technology of PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"New Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Tianjin Kars, Beijing Yixin and its shareholders, details of which are described in the section headed "Report of the Directors — Connected Transactions — New Contractual Arrangements"
"New Voting Proxy Agreement"	the voting proxy agreement entered into between Bitauto and Tencent on November 15, 2019 relating to certain voting rights in our Company
"Nomination Committee"	the nomination committee of the Company
"NYSE"	the New York Stock Exchange
"PRC Legal Advisor"	Han Kun Law Offices, PRC Legal Advisor to the Company
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Pre-IPO Share Option Scheme"
"Prospectus"	the prospectus of the Company dated November 6, 2017
"Qualification Requirements"	a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2019
"RMB"	Renminbi, the lawful currency of PRC
"Second Share Award Scheme"	the share award scheme conditionally approved and adopted by our Company on September 1, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Second Share Award Scheme"
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Lanshu"	Shanghai Lanshu Information Technology Co., Ltd.* (上海藍書信息科技有限公司), a company established under the laws of the PRC on January 29, 2015 and our indirect wholly-owned subsidiary
"Shanghai Yixin"	Shanghai Yixin Financing Lease Co., Ltd.* (上海易鑫融資租賃有限公司), a company established under the laws of the PRC on August 12, 2014 and our indirect wholly-owned subsidiary
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 700), our substantial Shareholder
"THL H Limited"	a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our substantial Shareholder
"Tianjin Hengtong"	Tianjin Hengton Jiahe Financing Lease Co., Ltd.* (天津恒通嘉合融資租賃有限公司), a company established under the laws of the PRC on May 18, 2015, and our indirect wholly-owned subsidiary
"Tianjin Kars"	Tianjin Kars Information Technology Co., Ltd.* (天津卡爾斯信息科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Two Contractual Arrangements"	the Contractual Arrangements and the New Contractual Arrangements
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Xinche Investment"	Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資(上海)有限公司), a company established under the laws of the PRC on January 16, 2015 and our indirect wholly-owned subsidiary
"Yixin HK"	Yixin Holding Hong Kong Limited (易鑫集團香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and our wholly-owned subsidiary
"Yusheng"	Yusheng Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
"%"	per cent

* *for identification purposes only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

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