

# 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  
**2021**



易鑫集团  
YIXIN GROUP

[www.yixincars.com](http://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. Matthew Yun Ming Cheng<sup>#</sup>

Mr. Jun Yang

Mr. Qin Miao

Ms. Amanda Chi Yan Chau

### 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  
22/F, Prince's Building  
Central  
Hong Kong

## LEGAL ADVISERS

*As to Hong Kong and U.S. laws:*  
Skadden, Arps, Slate, Meagher & Flom and Affiliates  
42/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

Eversheds Sutherland  
37/F, One Taikoo Place  
Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

*As to PRC law:*  
Han Kun Law Offices  
9/F, Office Tower C1  
Oriental Plaza  
No.1 East Chang An Avenue  
Beijing  
PRC

*As to Cayman Islands law:*  
Maples and Calder (Hong Kong) LLP  
26th Floor, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

## REGISTERED OFFICE

P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 709, Champion Tower  
Three Garden Road  
Central, Hong Kong

\* Following the appointment of Mr. Zhi Gao as our Joint President with effect from March 24, 2022, Mr. Jiang has remained as the other Joint President.

<sup>#</sup> On April 6, 2022, Mr. Matthew Yun Ming Cheng resigned as a non-executive Director and Mr. Qing Hua Xie was appointed as a non-executive Director, following the resignation of Mr. Cheng. For further details, please refer to the announcement of the Company published on April 6, 2022.

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA**

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

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## **PRINCIPAL BANKER**

Bank of China  
Bank of Communications  
China Construction Bank  
Shenzhen Qianhai WeBank Co., Ltd.  
Postal Savings Bank of China

## **COMPANY WEBSITE**

[www.yixincars.com](http://www.yixincars.com)

## **STOCK CODE**

2858

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Yixin Group Limited (“**Yixin**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), I hereby present the annual report of the Group for the Reporting Period.

In 2021, China's total sales for new and used passenger vehicles increased by 13% year-on-year, according to the data from China Association of Automobile Manufacturers (“**CAAM**”) and China Automobile Dealers Association (“**CADA**”). The prolonged global COVID-19 pandemic, however, continues to present challenges coupled with the shortage of semiconductors supply especially in the second half of the year.

With the effort from our team, Yixin's total financed automobile transactions increased by 49% year-on-year to approximately 530 thousand. In comparison, substantially exceeding the industry average, the aggregate auto financing amount through our loan facilitation services and our self-operated financing business for the year ended December 31, 2021 was approximately RMB45 billion, representing a 66% year-on-year increase.

Both of our new car and used car financed transactions surpassed the industry average. Our financed new automobile transactions increased by 31% year-on-year to approximately 293 thousand, while China's new passenger vehicles sales increased by 7% year-on-year, according to CAAM. Our financed used automobile transactions increased by 80% year-on-year to approximately 237 thousand, which outpaced the 26% year-on-year growth rate of China's used passenger vehicle sales for year 2020, according to CADA.

Our revenues increased by 5% to RMB3,494 million for the Reporting Period, compared to RMB3,325 million for the year ended December 31, 2020, mainly due to the significant increase in revenue from our loan facilitation services. For the Reporting Period, we cooperated with 23 banks and financial institutions as our loan facilitation partners to facilitate approximately 434 thousand financing transactions through loan facilitation business, representing an increase of 47% compared to 296 thousand for the year ended December 31, 2020.

It is worth mentioning that for the Reporting Period, our new core services revenues, which include revenues from loan facilitation transactions and new self-operated financing lease transactions facilitated by us during the year, increased by 75% from RMB1,340 million for the year ended December 31, 2020 to RMB2,347 million for the Reporting Period. Our overall gross profit margin has increased to 51% for the Reporting Period, from 47% for the year ended December 31, 2020. For the Reporting Period, our adjusted net profit was RMB273 million, as compared with a net loss of RMB800 million for the year ended December 31, 2020.

The quality of our assets continues to improve. Our 90+ days past due ratio shared a declining trend, from 2.28% as of December 31, 2020 to 1.95% as of December 31, 2021. Our 30-90 days past due ratio dropped to a historic low.

In 2021, the Group continued to work on optimizing its cost and expense structure by financing diversification. Among the upcoming green notes and syndication loan, our funding cost also dropped from 5.4% for the year ended December 31, 2020 to 4.2% for the Reporting Period.

As for the automotive aftermarket service segment launched in the second half of 2020, we have recorded a revenue of RMB123 million for the Reporting Period, compared to RMB28 million for the year ended December 31, 2020.

In March 2021, Yixin achieved a major milestone by facilitating over 2 million accumulated financed automobile transactions and by end of 2021, Yixin reached a total financing amount of RMB200 billion. Our years of operating experience in the auto finance industry have made us uniquely and favourably positioned in the market with sales channel management, data richness, collection and recovery, and digital capabilities. For example, Yixin has more than 4,000 service people, spread across 340 cities, and we partner with over 31,000 auto dealers. This model enables Yixin not only to provide quality services to customers, but also make top-notch credit risk assessment. Another example is our efficient automobile disposal once the collateral is collected, which is made possible by our extensive connections in used car dealership market.

In 2022, we are particularly excited about our business opportunities in the following three areas that leverage on our strengths and unique positioning:

- 1) **Electric vehicle.** According to CAAM, China sold a total of 3.3 million electric vehicles in 2021, accounting for a 53% share of the global market. The market penetration rate of China's electric vehicles reached 15% in 2021. CAAM predicts that China's new energy vehicles ("**NEV**") sales are expected to keep at a high increase rate of 50%+ to reach more than 5 million in 2022. Yixin provided financial solutions to over 13,000 NEV customers in 2021 and we expect the trend to be quickly catching up in 2022 as we have just entered into additional agreements with major electrical vehicle brands. Our advanced digital capability and deep understanding of credit risk is the key success factor in this domain.
- 2) **Used car.** The Ministry of Commerce has accelerated the development of the used car market by lifting restrictions on cross-region transfers, facilitating trading and promoting information sharing. According to CADA, China's used car market has been growing steadily and is expected to reach 23 million units in 2025. For the Reporting Period, Yixin had covered nearly 9,000 used car dealer shops, which represent a 200% increase, compared to around 3,000 dealer shops in 2020. After years of strategic layout in the used car market, we have established an efficient data collection and processing system, and our capability of multi-channel management is at the forefront of the industry. Our financed used automobile transactions contributed 45% of the total financed automobile transactions in 2021, compared to 37% in 2020. We are allocating more resources in the used car business and expect this ratio to continue to rise in 2022.
- 3) **Technology.** In the past decade, the scale of the domestic auto finance market has grown rapidly, and the financial penetration rate has increased year by year. The market size of auto financing is expected to reach RMB2 trillion in 2022. Based on the accumulative auto financing experience gained through billions of transaction data and continuously optimizing risk control system, Yixin has built up a technology-enabled system which provide financing solutions for parties such as commercial banks that participated in auto financing. This system could assist in achieving a breakthrough in commercial bank's auto finance business. It will bring more quality automobile customer leads, strengthen its risk control capabilities and product experience in auto finance business, as well as growth in overall business scale. With this technology-enabled system integrated, our upgraded loan facilitation platform is expected to have more non-guarantee businesses and facilitate over RMB5 billion worth of auto financing in 2022.

Technological innovation is having a profound impact in the automobile industry. Yixin is closely monitoring the latest technological trends and is prepared to grasp upcoming business opportunities. For example, autonomous driving starts to come to fruition in respect of commercial vehicles and at piers and airports. In the long run, we expect customers to shift their habits from purchasing vehicles to ordering transportation services. This will create robo-fleet service opportunities in the automobile industry and the auto financing sector.

Finally, 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 unswervingly build on our capabilities and strengthen our ecosystem to provide consumers with better online financed automobile transaction experience.

**Andy Xuan Zhang**  
*Chairman*  
Hong Kong  
March 23, 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2021 COMPARED TO YEAR ENDED DECEMBER 31, 2020

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020.

	Year ended December 31,		Year-on-year %
	2021 RMB'000	2020 RMB'000	
<b>Revenues</b>	<b>3,494,344</b>	3,325,215	5%
Cost of revenues	<b>(1,716,003)</b>	(1,769,576)	-3%
<b>Gross profit</b>	<b>1,778,341</b>	1,555,639	14%
Selling and marketing expenses	<b>(1,358,417)</b>	(854,141)	59%
Administrative expenses	<b>(397,736)</b>	(438,798)	-9%
Research and development expenses	<b>(146,429)</b>	(150,193)	-3%
Credit impairment losses	<b>(286,376)</b>	(1,812,270)	-84%
Other income and other gains, net	<b>512,799</b>	218,652	135%
<b>Operating profit/(loss)</b>	<b>102,182</b>	(1,481,111)	N/A
Finance (cost)/income, net	<b>(3,111)</b>	11,750	N/A
Share of losses of investments accounted for using the equity method	<b>(15,446)</b>	(28,573)	-46%
<b>Profit/(loss) before income tax</b>	<b>83,625</b>	(1,497,934)	N/A
Income tax (expense)/credit	<b>(54,672)</b>	342,185	N/A
<b>Profit/(loss) for the year</b>	<b>28,953</b>	(1,155,749)	N/A
<i>Non-IFRSs measures (unaudited)</i>			
<b>Adjusted operating profit/(loss)</b>	<b>274,760</b>	(1,114,088)	N/A
<b>Adjusted net profit/(loss)</b>	<b>273,219</b>	(800,101)	N/A



## REVENUES

Our total revenues increased by 5% to RMB3,494 million for the year ended December 31, 2021, compared to RMB3,325 million for the year ended December 31, 2020, mainly due to the increase in revenue from our loan facilitation services, while partially offset by the decrease in revenue from our financing lease 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 75% to RMB2,347 million, compared to RMB1,340 million for the year ended December 31, 2020. The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			2020	
	RMB'000	2021 % of total revenues	Year-on- year	RMB'000	% of total revenues
<b>Revenues</b>					
<b>Transaction Platform Business</b>					
Loan Facilitation Services	1,951,709	56%	65%	1,185,281	35%
Other Platform Services	350,570	10%	128%	153,569	5%
Guarantee service	222,473	6%	267%	60,592	2%
After-market services	123,253	4%	345%	27,704	1%
Advertising and other services	4,844	–	-93%	65,273	2%
<b>Subtotal</b>	<b>2,302,279</b>	<b>66%</b>	<b>72%</b>	1,338,850	40%
<b>Self-operated Financing Business</b>					
Financing Lease Services	1,156,483	33%	-41%	1,951,987	59%
From new transactions during the year	395,587	11%	156%	154,375	5%
From existing transactions in prior years	760,896	22%	-58%	1,797,612	54%
Other self-operated services <sup>(1)</sup>	35,582	1%	4%	34,378	1%
<b>Subtotal</b>	<b>1,192,065</b>	<b>34%</b>	<b>-40%</b>	1,986,365	60%
<b>Total</b>	<b>3,494,344</b>	<b>100%</b>	<b>5%</b>	3,325,215	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 72% to RMB2,302 million for the year ended December 31, 2021, compared to RMB1,339 million for the year ended December 31, 2020, mainly due to the increase in revenue of our loan facilitation services, the increase in revenue from guarantee service and after-market services due to our strategy to develop such services. Revenue contribution from transaction platform business continued to increase to 66% for the year ended December 31, 2021, compared to 40% for the year ended December 31, 2020.

Revenues from our loan facilitation services increased by 65% to RMB1,952 million for the year ended December 31, 2021, compared to RMB1,185 million for the year ended December 31, 2020, mainly due to the increase in transaction volume impacted by the recovery of China's economy and auto industry. For the year ended December 31, 2021, we facilitated approximately 434 thousand financed transactions, through our loan facilitation services, representing a 47% year-on-year increase in volume. Revenue contribution from our loan facilitation services continued to increase to 56% for the year ended December 31, 2021, compared to 35% for the year ended December 31, 2020.

Revenues from our other platform services increased by 128% to RMB351 million for the year ended December 31, 2021, compared to RMB154 million for the year ended December 31, 2020, mainly due to the increase in revenue from auto after-market services and guarantee service. We launched auto after-market services since July, 2020 to enrich the scope and value added to our customer and generated revenue of RMB123 million for the year ended December 31, 2021, which increased by 345% from RMB28 million for the year ended December 31, 2020. Our revenue from guarantee service was RMB222 million for the year ended December 31, 2021, increased by 267% from RMB61 million for the year ended December 31, 2020, as two subsidiaries of the Group with financing guarantee licence provided guarantees on loans with respect to our loan facilitation services in 2021.

### Self-operated financing business

Revenues from our self-operated financing business decreased by 40% to RMB1,192 million for the year ended December 31, 2021, compared to RMB1,986 million for the year ended December 31, 2020, primarily due to the decrease in revenues generating from our financing lease services.

Revenues from our financing lease services decreased by 41% to RMB1,156 million for the year ended December 31, 2021, compared to RMB1,952 million for the year ended December 31, 2020, due to the decrease in revenues from existing financing lease transactions in prior periods. For the year ended December 31, 2021, we generated RMB396 million revenues from new financing lease transactions and RMB761 million revenue from existing financing lease transactions, compared to RMB154 million and RMB1,798 million, respectively, for the year ended December 31, 2020. For the year ended December 31, 2021, we facilitated approximately 96 thousand financed transactions, through self-operated financing business, representing a 60% year-on-year increase in volume, mainly due to the recovery of China's economy and auto industry. The average yield of our net finance receivables<sup>(1)</sup> was 9.8% for the year ended December 31, 2021, compared to 9.9% for the year ended December 31, 2020, primarily due to the increase in sales volume as a result of our sales promotion and offering of more products with lower interest rate to stimulate the gradual recovery of financed automobile transactions from the previous downturn due to the COVID-19 pandemic.

Note:

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

## COST OF REVENUES

Cost of revenues were RMB1,716 million for the year ended December 31, 2021, decreased by 3% from RMB1,770 million for the year ended December 31, 2020, primarily due to the decrease in funding costs associated with our self-operated financing lease services, while partially offset by the increase of commissions associated with our loan facilitation services.

Cost of revenues of our transaction platform business increased by 91% to RMB1,170 million for the year ended December 31, 2021, compared to RMB612 million for the year ended December 31, 2020. The increase was primarily due to the increase in commissions associated with our loan facilitation services. Loan facilitation commissions were RMB1,090 million for the year ended December 31, 2021, compared to RMB594 million for the year ended December 31, 2020.

Cost of revenues of our self-operated financing business decreased by 53% to RMB546 million for the year ended December 31, 2021, compared to RMB1,157 million for the year ended December 31, 2020, primarily due to the decrease in funding costs associated with our self-operated financing lease services. Funding costs decreased by 53% to RMB499 million for the year ended December 31, 2021, compared to RMB1,055 million for the year ended December 31, 2020. The average funding cost of our net finance receivables<sup>(1)</sup> was 4.2% for the year ended December 31, 2021, compared to 5.4% for the year ended December 31, 2020.

Note:

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

## GROSS PROFIT AND MARGINS

	Year ended December 31,			
	2021		2020	
	RMB'000	%	RMB'000	%
<b>Segment gross profit and gross profit margins</b>				
Transaction Platform Business	1,132,539	49%	726,466	54%
Self-operated Financing Business	645,802	54%	829,173	42%
<b>Total</b>	<b>1,778,341</b>	<b>51%</b>	1,555,639	47%

Our total gross profit increased by 14% to RMB1,778 million for the year ended December 31, 2021, compared to RMB1,556 million for the year ended December 31, 2020, primarily due to the increase in total revenues. Our overall gross profit margin increased to 51% for the year ended December 31, 2021, compared to 47% for the year ended December 31, 2020.

Gross profit of our transaction platform business increased by 56% to RMB1,133 million for the year ended December 31, 2021, compared to RMB726 million for the year ended December 31, 2020, mainly due to the increase in revenues from our loan facilitation services, and the increase in revenues from guarantee service and after-market services. Gross profit margin of our transaction platform business decreased to 49% for the year ended December 31, 2021, compared to 54% for the year ended December 31, 2020, primarily due to the increase of commissions associated with loan facilitation services as to revenue.

Gross profit of our self-operated financing business decreased by 22% to RMB646 million for the year ended December 31, 2021, compared to RMB829 million for the year ended December 31, 2020, 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 54% for the year ended December 31, 2021, compared to 42% for the year ended December 31, 2020. The average spread of our net finance receivables<sup>(1)</sup> was 5.6% for the year ended December 31, 2021, compared to 4.5% for the year ended December 31, 2020, primarily due to the decrease in funding costs associated with our self-operated financing business.

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 increased by 59% to RMB1,358 million for the year ended December 31, 2021, compared to RMB854 million for the year ended December 31, 2020, primarily due to an increase in salary and benefit expenses, share-based compensation expenses and professional service fees, which was in line with the increase in revenue. Share-based compensation expenses for our sales and marketing personnel were RMB43 million for the year ended December 31, 2021, compared to RMB16 million for the year ended December 31, 2020.

## ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by 9% to RMB398 million for the year ended December 31, 2021, compared to RMB439 million for the year ended December 31, 2020, primarily due to the decrease in provision for impairment of other non-current assets and share-based compensation expenses. Share-based compensation expenses for our administrative personnel were RMB61 million for the year ended December 31, 2021, compared to RMB74 million for the year ended December 31, 2020.

## RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses decreased by 3% to RMB146 million for the year ended December 31, 2021, compared to RMB150 million for the year ended December 31, 2020, primarily due to the decrease in salary and benefit expenses. Share-based compensation expenses for our research and development personnel were RMB27 million for the year ended December 31, 2021, compared to RMB15 million for the year ended December 31, 2020.

## CREDIT IMPAIRMENT LOSSES

Credit impairment losses include (i) provision for expected credit losses of finance receivables; (ii) provision for expected credit losses of risk assurance liabilities and loans recognized as a result of payment under risk assurance, and (iii) provision for impairment losses of trade receivables and other receivables. Credit impairment losses decreased by 84% to RMB286 million for the year ended December 31, 2021, compared to RMB1,812 million for the year ended December 31, 2020.

Provision for expected credit losses of finance receivables was RMB121 million for the year ended December 31, 2021, compared to RMB1,616 million for the year ended December 31, 2020, as we took proactive steps to tighten underwriting standards for new loans that we facilitated as well as reinforced our effort in the collection of overdue payments.

Provision for expected credit losses of risk assurance liabilities and loans recognized as a result of payment under risk assurance decreased to RMB46 million for the year ended December 31, 2021 from RMB165 million for the year ended December 31, 2020, primarily due to the alleviation of COVID-19 pandemic and the improvement in quality of our portfolio of assets in respect of loan facilitation services. Provision for impairment of trade receivables and other receivables was RMB120 million for the year ended December 31, 2021, compared to RMB31 million for the year ended December 31, 2020, mainly due to the increase of scale of trade receivables and other receivables.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER INCOME AND OTHER GAINS, NET

Other income and other gains, net increased by 135% to RMB513 million for the year ended December 31, 2021, compared to RMB219 million for the year ended December 31, 2020. The increase was primarily due to the increase in fair value gain on financial assets. Fair value gain on financial assets were RMB398 million for the year ended December 31, 2021, compared to RMB444 thousand for the year ended December 31, 2020.

### OPERATING PROFIT/(LOSS)

We recorded an operating profit of RMB102 million for the year ended December 31, 2021 as compared to an operating loss of RMB1,481 million for the year ended December 31, 2020, mainly due to the increase in gross profit and the decrease in credit impairment losses.

### FINANCE (COST)/INCOME, NET

Our finance cost, net for the year ended December 31, 2021 was RMB3 million, compared to a finance income, net of RMB12 million for the year ended December 31, 2020, mainly due to the decrease in interest income from bank deposits.

### SHARE OF LOSSES OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Our share of losses of investments accounted for using equity method was RMB15 million for the year ended December 31, 2021, compared to RMB29 million for the year ended December 31, 2020, mainly due to the share of net loss of Dalian Rongxin. The acquisition of 32.20% equity interest of Dalian Rongxin was completed in October 2020 and Dalian Rongxin became an associate of the Group during the year ended December 31, 2020. Details of this investment into Dalian Rongxin are set out in the announcement of the Company dated August 2, 2019.

### INCOME TAX (EXPENSE)/CREDIT

Our income tax expense was RMB55 million for the year ended December 31, 2021, compared to an income tax credit of RMB342 million for the year ended December 31, 2020, mainly due to our operating profit incurred during the year.

### PROFIT/(LOSS) FOR THE YEAR

Our profit for the year ended December 31, 2021 was RMB29 million, compared to a loss of RMB1,156 million for the year ended December 31, 2020, mainly due to the increase in gross profit and the decrease in credit impairment losses.

### FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: 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, impairment loss on investment associates and share-based compensation expenses (“**Adjusted Operating Profit/(Loss)**”). Adjusted net profit eliminates the effect of the aforesaid items and any related tax impact (“**Adjusted Net Profit/(Loss)**”). The terms Adjusted Operating Profit/(Loss) and Adjusted Net Profit/(Loss) are not defined under the IFRSs. The use of Adjusted Operating Profit/(Loss) and Adjusted Net Profit/(Loss) 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/(Loss) and Adjusted Net Profit/(Loss) is a significant component in understanding and assessing our operating and financial performance.

In light of the foregoing limitations for Adjusted Operating Profit/(Loss) and Adjusted Net Profit/(Loss), when assessing our operating and financial performance, you should not view Adjusted Operating Profit/(Loss) in isolation or as a substitute for our operating profit/(loss), nor should you view Adjusted Net Profit/(Loss) 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/(Loss) and Adjusted Net Profit/(Loss) for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs.

	<b>Year ended December 31,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Operating profit/(loss)</b>	<b>102,182</b>	(1,481,111)
Add:		
Fair value gain on financial assets	<b>(397,523)</b>	(444)
Amortization of intangible assets resulting from asset and business acquisitions	<b>342,666</b>	262,424
Impairment loss on investment in an associate	<b>96,415</b>	–
Share-based compensation expenses	<b>131,020</b>	105,043
<b>Adjusted Operating Profit/(Loss)</b>	<b>274,760</b>	(1,114,088)

## MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
<b>Net profit/(loss)</b>	<b>28,953</b>	(1,155,749)
Add:		
Fair value gain on financial assets	(303,864)	(444)
Amortization of intangible assets resulting from asset and business acquisitions net of tax	342,410	262,229
Impairment loss on investment in an associate	96,415	–
Share-based compensation expenses	109,305	93,863
<b>Adjusted Net Profit/(Loss)</b>	<b>273,219</b>	(800,101)

### ADJUSTED OPERATING PROFIT/(LOSS)

We recorded an adjusted operating profit of RMB275 million for the year ended December 31, 2021, compared to an adjusted operating loss of RMB1,114 million for the year ended December 31, 2020, mainly due to the increase in gross profit and the decrease in credit impairment losses.

### ADJUSTED NET PROFIT/(LOSS)

We recorded an adjusted net profit of RMB273 million for the year ended December 31, 2021, compared to an adjusted net loss of RMB800 million for the year ended December 31, 2020, mainly due to the increase in gross profit and substantial decrease in credit impairment losses as discussed above.

### SELECTED FINANCIAL INFORMATION FROM OUR CONSOLIDATED BALANCE SHEET

	As at December 31,		
	2021 RMB'000	2020 RMB'000	Year-on-year %
Carrying amount of finances receivables	11,109,198	12,771,860	-13%
Cash and cash equivalents	3,051,720	2,711,558	13%
Total borrowings	9,422,403	10,147,383	-7%
Current assets	14,897,268	16,883,448	-12%
Current liabilities	8,363,004	10,215,050	-18%
Net current assets	6,534,264	6,668,398	-2%
Total equity	14,642,211	14,533,862	1%



## FINANCE RECEIVABLES

We provide financing lease services in our self-operated financing business segment and, in return, customers pay us interest and principal on a monthly basis. Our carrying amount of finance receivables decreased to RMB11.1 billion as at December 31, 2021, compared to RMB12.8 billion as at December 31, 2020, primarily due to our strategy to focus on the provision of 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:

	<b>As at December 31,</b> <b>2021</b>	2020
	<i>(RMB'000, except for percentage)</i>	
Finance receivables, net (ending balance)	<b>11,510,629</b>	13,272,420
Provision for expected credit losses (ending balance)	<b>(401,431)</b>	(500,560)
Provision to net finance receivables ratio <sup>(1)</sup>	<b>3.49%</b>	3.77%

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:

	<b>As at December 31,</b> <b>2021</b>	2020
	<i>(RMB'000, except for percentage)</i>	
Past due ratio:		
180+ days <sup>(2)</sup>	<b>1.64%</b>	1.62%
90+ days (including 180+ days) <sup>(3)</sup>	<b>1.95%</b>	2.28%

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 our 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 our self-operated financing lease services and past due outstanding loan balances from our loan facilitation services divided by total net finance receivables and outstanding loan balances.

As at December 31, 2021, our 180+ days past due ratio and 90+ days (including 180+ days) past due ratio for all financed transactions through both our self-operated financing lease services and loan facilitation services were 1.64% and 1.95%, respectively (December 31, 2020: 1.62% and 2.28% respectively). The ratio decreased as at December 31, 2021 mainly due to the recovery of China's economy and auto industry. From the second half of 2020, we adhered to more prudent strategies of credit risk control, we took proactive steps to tighten underwriting standards of the loans as we shifted more towards quality customers with better credit record; meanwhile, we made variety of credit risk control efforts throughout product life cycle, such as more focus on the collection measures for early stage of overdue, improving the efficiency of used car disposal, increasing the number and efficiency of litigation, etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CASH AND CASH EQUIVALENTS

As at December 31, 2021, our cash and cash equivalents amounted to RMB3,052 million, compared with RMB2,712 million as at December 31, 2020. The increase in cash and cash equivalents was mainly due to the collection of interest and principal from our financing lease services.

As at December 31, 2021, RMB2,627 million of our cash and cash equivalents were denominated in RMB, compared to RMB2,687 million as at December 31, 2020.

Our net cash inflow generated from operating activities was RMB1.5 billion for the year ended December 31, 2021, compared to a net cash inflow of RMB12.3 billion for the year ended December 31, 2020. The decrease in net cash inflow generated from operating activities was mainly due to the increase in sales volume of self-operated financing business for the year ended December 31, 2021.

### 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 the provision of our loan facilitation services and self-operated financing services.

For our loan facilitation services, we currently work with 23 banks and financial institutions as our partners. In addition to our equity funding and cash flow from operations, we also issued asset backed securities and notes as well as obtained loans and borrowings from banks and other financial institutions.

As at December 31, 2021, our total borrowings were RMB9.4 billion, compared to RMB10.1 billion as at December 31, 2020. The decrease was mainly due to our strategy to focus on loan facilitation services. Total borrowings comprised of (i) asset backed securities and notes of RMB2.4 billion as at December 31, 2021; and (ii) bank loans and borrowings from other institutions of RMB7.0 billion. Asset backed securities and notes as a percentage of our total borrowings was 26% as at December 31, 2021.

Yixin is a seasoned and highly recognized issuer in China's asset backed securities market. As at December 31, 2021, Yixin has offered in aggregate 31 asset backed securities and notes publicly, with a total issuance amount of over RMB39.9 billion on Shanghai Stock Exchange, National Association of Financial Market Institutional Investors and Shanghai Insurance Exchange.

### NET CURRENT ASSETS

Our net current assets decreased by 2% to RMB6,534 million as at December 31, 2021, compared to RMB6,668 million as at December 31, 2020. Our current assets were RMB14.9 billion as at December 31, 2021, compared to RMB16.9 billion as at December 31, 2020, primarily due to the decrease in current portion of finance receivables. Our current liabilities were RMB8.4 billion as at December 31, 2021, compared to RMB10.2 billion as at December 31, 2020, primarily due to the repayment of borrowings in line with the decrease of finance receivables.

## KEY FINANCIAL RATIOS

	As at December 31,	
	2021	2020
Current ratio (times) <sup>(1)</sup>	1.78	1.65
Gearing ratio <sup>(2)</sup>	21%	25%
Debt to equity ratio (times) <sup>(3)</sup>	0.64	0.70

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 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 plus lease liabilities divided by total equity at the end of each financial period.

### Current Ratio

Our current ratio increased to 1.78 as at December 31, 2021, compared to 1.65 as at December 31, 2020, mainly due to the decrease in the current liabilities of the Group.

### Gearing Ratio

Our gearing ratio decreased to 21% as at December 31, 2021, compared to 25% as at December 31, 2020, mainly due to a great reduction in net debt as a result of the substantial decline in volume of financing lease services based on our strategy to focus on loan facilitation services.

### Debt to Equity Ratio

Our debt to equity ratio decreased to 0.64 as at December 31, 2021, compared to 0.70 as at December 31, 2020, due to the decrease in total borrowings.

## CAPITAL EXPENDITURE AND INVESTMENTS

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Purchase of property and equipment and other non-current assets	30,703	19,119
Purchase of intangible assets	1,871	2,523
Investments in financial assets at fair value through profit or loss	85,000	160,298
Investments in associates and subsidiaries in the form of ordinary shares	311,000	77,730
<b>Total</b>	<b>428,574</b>	259,670

### FOREIGN EXCHANGE RISK

Our 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 PRC subsidiaries when transacting in foreign currencies with our overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2021 and 2020.

Details of the currencies in which cash and cash equivalents are held and in which borrowings are made are set out in Note 21 and Note 27 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 and December 2020, the Company subscribed additional convertible note issued by Yusheng with a cash consideration of US\$43 million (equivalent to approximately HK\$335 million) and a cash consideration of US\$12 million (equivalent to approximately HK\$95 million), respectively, to further strengthen our cooperation relationship with Yusheng in used automobile business.

Yusheng achieved significant growth in 2021 with a year-on-year transaction-volume increase of more than 75%. The maturing store model enabled the strong performance of Yusheng, especially in the self-operated used car retail business. The number of Yusheng’s self-operated used car retail stores reached 35 for the year ended December 31, 2021 and more than 80% of them were profitable in December 2021. As Yixin’s important used car partner, Yusheng made important contribution to our financed used automobile transactions.

As at December 31, 2021, the fair value of our investment in Yusheng was RMB2,118,033,000 (December 31, 2020: RMB2,129,753,000) which constituted 7.7% of our total assets (December 31, 2020: 7.7%). The Company did not receive any dividends in respect of its investment in Yusheng for the years ended December 31, 2021 and 2020, and there were unrealised gains of approximately RMB37,419,000 from changes in fair value for the year ended December 31, 2021 (2020: RMB68,000,000).

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, 2021.

### **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, amongst others, our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees with 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, 2021, we had 4,980 full-time employees (December 31, 2020: 3,554). 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, and Note 24 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 December 31, 2021 was RMB955 million, compared to RMB688 million for the year ended December 31, 2020.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies for the year ended December 31, 2021.

### **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 Notes 21 and 27 to the consolidated financial statements.

### **CONTINGENT LIABILITIES**

As at December 31, 2021, we did not have any material contingent liabilities (December 31, 2020: nil).

# DIRECTORS AND SENIOR MANAGEMENT

## OUR DIRECTORS

The biography of each Director is set out below.

### EXECUTIVE DIRECTORS

**Mr. Andy Xuan Zhang**, aged 46, is our Chief Executive Officer, an 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 and has been the executive director and chief executive officer of Yiche Holding since the completion of merger of Bitauto as a wholly-owned subsidiary of Yiche Holding in November 2020. He had served as an executive director and the chief executive officer of Bitauto from January 2018 to the completion of the merger. Mr. Zhang's extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its listing and trading on the NYSE as a public company from November 2010 to November 2020.

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 50, is an executive Director, our 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 previously 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. Matthew Yun Ming Cheng**, aged 51, is a non-executive Director since May 2021. Mr. Cheng joined Tencent Group in November 2010, and currently serves as the corporate vice president of Tencent Group. Mr. Cheng has served as a non-executive director of Fusion Bank Limited (富融銀行有限公司) since March 2019, a non-executive director of China Literature Limited, a company listed on the Main Board of the Stock Exchange (stock code: 772), since November 2019, a non-executive director of Tongcheng Travel Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 780), since April 2020 and a director of HUYA Inc., a company listed on the New York Stock Exchange (the "NYSE") (NYSE: HUYA), since February 2021. Prior to joining Tencent Group, Mr. Cheng worked at Price Waterhouse, an accounting firm currently known as PricewaterhouseCoopers, from 1992 to 1997, China Everbright Technology Limited (currently known as Citychamp Watch & Jewellery Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 256), a company then principally engaged in manufacturing of computer peripherals, from 1997 to 2000, and various companies assuming financial management functions. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) in October 1992.

\* Following the appointment of Mr. Zhi Gao as our Joint President with effect from March 24, 2022, Mr. Jiang has remained as the other Joint President.

Subsequent to the date of this annual report (i.e. March 23, 2022) and up to the latest practicable date prior to the printing of this annual report, Mr. Cheng resigned as a non-executive Director on April 6, 2022. For further details, please refer to the announcement of the Company published on April 6, 2022.

**Mr. Jun Yang**, aged 49, is a non-executive Director since May 2021. Mr. Yang joined Tencent in February 2020 and currently serves as the vice president of Tencent Financial Technology, is in charge of financial risk management and wealth management. Prior to joining Tencent, Mr. Yang was the general manager of risk management department and the general manager of operation office of the Shanghai Branch of Shanghai Pudong Development Bank Co., Ltd., and the deputy general manager of the credit approval department of the Shanghai Pudong Development Bank Co., Ltd.. In addition, Mr. Yang used to be the chief risk officer of Lufax Holding Ltd., and the deputy chief risk officer of Ping An Insurance (Group) Company of China, Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 2318).

Mr. Yang concurrently serves as the deputy chairman of the risk committee of the Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs, and is a visiting professor at Shanghai International Studies University, an industry mentor in the Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University, and a columnist of CAIXIN.

Mr. Yang obtained a bachelor's degree in international business management from Shanghai International Studies University, and a master's degree in quantitative economics from Shanghai University of Finance and Economics.

**Mr. Qin Miao**, aged 48, is a non-executive Director since December 2021. Mr. Miao joined JD.com. in June 2020 as the vice president and has worked as the president of life and service business group of JD retail since January 2021. Mr. Miao currently serves as a director of Yiche Holding since November 2021. Prior to that, Mr. Miao worked at McDonald's (China) Co., Ltd., from June 1993, and was serving as the chief operating officer of McDonald's (China) Co., Ltd. when he left in August 2013. He then worked at Golden Jaguar from August 2013, and was serving as the chief executive officer of the company when he left in October 2014.

Mr. Miao obtained his master's degree in business administration from the China Europe International Business School in October 2011.

**Ms. Amanda Chi Yan Chau**, aged 40, is a non-executive Director since May 2021. Ms. Chau has been employed by Hammer Capital (Hong Kong) Limited as managing director since July 2014. Prior to that, she was director of investment banking at Citigroup Global Markets Asia Limited. Ms. Chau has a combined 10 years of investment banking experience with Credit Suisse (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited and Citigroup Global Markets Asia Limited. During this period, Ms. Chau has originated and executed many capital markets and mergers and acquisitions transactions for corporate clients across Asia Pacific.

Ms. Chau graduated from the Northwestern University, United States of America with a master of science degree in industrial engineering and management sciences, and from The University of Chicago, United States of America with a bachelor of arts degree in economics.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tin Fan Yuen**, aged 69, 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 an 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 58, 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 an 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, a company 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 51, 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 May 20, 2021, Ms. Dong was appointed as an independent non-executive director, chairwoman of the audit committee, a member of the remuneration committee and the nomination committee of Angelalign Technology Inc., a company listed on the Main Board of the Stock Exchange on June 16, 2021 (stock code: 6699). On April 13, 2020, Ms Dong was appointed as the independent director and a member of the audit committee and nominating and corporate governance committee of 58.com Inc., a company previously listed on the NYSE (stock code: WUBA). On April 20, 2020, she was appointed as a member of the special committee of 58.com Inc. to evaluate and consider the acquisition/ privatization proposal from certain investors. She carried these roles until September 17, 2020 when 58.com Inc. completed privatization and delisted from the NYSE. 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 (stock code: 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.

### OUR SENIOR MANAGEMENT

**Mr. Zhi Gao**, aged 50, joined our Group in September 2016. Subsequent to the date of this annual report (i.e. March 23, 2022) and up to the latest practicable date prior to the printing of this annual report, Mr. Gao has been appointed as our Joint President since March 24, 2022 and is primarily responsible for managing auto finance operations of our Group. Mr. Gao previously served as our Chief Operating Officer and vice president of operations. Prior to joining our Group, Mr. Gao was employed at Coca-cola Industries Management (Shanghai) Co., Ltd (可口可樂企業管理(上海)有限公司) from April 2002 to August 2016, serving as duty general manager and market executive head of Coca-Cola Bottling Plant prior to his departure.

Mr. Gao graduated from the chemical engineering department of Dalian Institute of Light Industry (大連輕工業學院) (currently known as Dalian Polytechnic University (大連工業大學)) in July 1993. He also received his executive master’s degree in business administration from Dalian University of Technology in June 2015.

**Mr. Rui Song**, aged 48, joined our Group in January 2019. Subsequent to the date of this annual report (i.e. March 23, 2022) and up to the latest practicable date prior to the printing of this annual report, Mr. Song has been appointed as our Chief Operating Officer since March 24, 2022 and is primarily responsible for managing auto finance operations of our Group. Mr. Song previously served as our senior vice president. Prior to joining our Group, Mr. Song was employed at DIFU Holding Group Co., Ltd. from 2017 to 2018, serving as general manager of DIFU Holding Group Co., Ltd. prior to his departure. Mr. Song was employed at Coca Cola Industries Management (Shanghai) Co., Ltd. from 1996 to 2017, serving as a sales director of Coca Cola Industries Management (Shanghai) Co., Ltd. prior to his departure.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Song graduated from the foreign languages department of Lanzhou University in July 1995.

**Mr. Xiaoguang Yang**, aged 46, joined our Group in June 2020 as our Chief Financial Officer. Prior to joining our Group, Mr. Yang served as the chief financial officer and a director of Wacai Network Technology Co., Ltd\* (挖財網絡技術有限公司). Prior to that, Mr. Yang served at Fullerton Credit Services of Fullerton Financial Holdings Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Pte. Ltd., Singapore, from 2014 to 2016 as chief financial officer, responsible for corporate finance, equity financing and legal affairs. Mr. Yang also held financial management positions in Far East Horizon Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3360) and GE Capital of General Electric Company, a company listed on the NYSE (NYSE: GE).

Mr. Yang holds a bachelor's degree from Nankai University and a master's degree in business administration from Arizona State University.

### COMPANY SECRETARY

**Mr. Man Wah Cheng** is the Company Secretary. Mr. Cheng is a Certified Public Accountant of the HKICPA and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng has around 20 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, subsequent to the date of the 2021 interim report of the Company and up to the date of this report, changes in information of Directors are set out below:

<b>Name of Director</b>	<b>Details of Change</b>	<b>Effective Date</b>
Mr. Chenkai Ling	Resigned as non-executive Director	December 13, 2021
Mr. Qin Miao	Appointed as non-executive Director	December 13, 2021

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, 2021.

## 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 automobile finance 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 PROCEEDS

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, 2021, the Group had utilised the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to December 31, 2021		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	848,024	719,989	146,530	124,407	453,495	385,027
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	-	-	-	-
Working capital and other general corporate purposes	650,760	552,506	650,760	552,506	-	-	-	-
<b>Total</b>	<b>6,507,595</b>	<b>5,525,077</b>	<b>6,054,100</b>	<b>5,140,050</b>	<b>146,530</b>	<b>124,407</b>	<b>453,495</b>	<b>385,027</b>

We will gradually apply the unutilised net proceeds in the manner set out in the Prospectus. Subject to further review as and when appropriate, the unutilised net proceeds for research and technology capabilities enhancement are expected to be fully used up by the end of 2023.

### 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" sections of this annual report.

In addition, discussions on the Group's environmental policies and performance, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders (including employees, customers and suppliers and others) are included in the section headed "Major Customers and Suppliers" in this annual report as well as in the "ESG Report" and the "Corporate Governance Report" contained in this annual report. All the review, discussions and analysis mentioned above form part of this report.

### RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated income statement of this annual report.

The Directors did not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: 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, 2021 are set out in Note 22 to the consolidated financial statements.

During the year ended December 31, 2021, 2,034,500 new Shares were issued pursuant to the Pre-IPO Share Option Scheme as a result of the exercise of share options by option holders and 140,415,149 new Shares were issued pursuant to the First Share Award Scheme as a result of the grant of share awards.

### RESERVES

As at December 31, 2021, the Company had distributable reserves amounting to RMB16,641,777,000 (2020: RMB16,910,544,000).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on pages 132 to 133 and in Note 35(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, 2021 are set out in Note 12 to the consolidated financial statements.

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

## DEBENTURES AND BORROWINGS

As at December 31, 2021, our total borrowings were RMB9.4 billion, compared to RMB10.1 billion as at December 31, 2020. Total borrowings comprised (i) asset back securities and notes of RMB2.4 billion; and (ii) bank loans and borrowings from other institutions of RMB7.0 billion as at December 31, 2021. Details of the Group's borrowings are set out in Note 27 to the consolidated financial statements.

The Group did not issue any debenture during the Reporting Period (2020: nil).

## DONATIONS

During the year ended December 31, 2021, the Group did not make any charitable donations (2020: 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 233 of this annual report.

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

During the year ended December 31, 2021, 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 32, 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, representing approximately 6.42% of the issued Shares as at the date of this annual report.

As at December 31, 2021, outstanding options representing 235,379,348 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 24(a) 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:

Name or category of option holders	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2021	Number of options		Outstanding as at December 31, 2021
					Exercised during the year	Cancelled/ Lapsed during the year	
<b>Director and senior management</b>							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from date of grant	US\$0.0014	168,464,000	-	-	168,464,000
	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
<b>Other grantees</b>							
In aggregate	Between July 3, 2017 and October 1, 2017	10 years from date of grant	US\$0.0014	3,654,184	(2,034,500)	(266,525)	1,353,159
<b>Total</b>				<b>237,820,373</b>	<b>(2,034,500)</b>	<b>(266,525)</b>	<b>235,519,348</b>

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and Note 24(a) to the consolidated financial statements.

### 2. First Share Award Scheme

The First Share Award Scheme operated during the Reporting Period was adopted by written resolutions of the Shareholders on May 26, 2017, amended on September 1, 2017 and May 6, 2021 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. For the avoidance of doubt, nil consideration is required to be paid by the eligible participants for the grant of awards under the First Share Award Scheme.

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 285,250,982 Shares without further Shareholders' approval, which represents 4.38% of the issued Shares as at the date of this annual report.

As at December 31, 2021, 248,167,576 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:

Name	Date of grant	Held at January 1, 2021	Granted during the year	Number of Awards		Held at December 31, 2021	Vesting date	Closing price at date of grant (HK\$)
				Vested during the year	Lapsed during the year			
<b>Other grantees</b>								
In aggregate	17-Jul-18	5,979,209	-	(5,931,295)	(47,914)	-	31-Mar-21	3.14
	17-Jul-18	21,000	-	-	(21,000)	-	30-Sep-21	3.14
	17-Jul-18	430,000	-	(367,500)	(62,500)	-	31-Dec-21	3.14
	17-Jul-18	5,522,599	-	(19,384)	(922,715)	4,580,500	31-Mar-22	3.14
Sub-total		11,952,808	-	(6,318,179)	(1,054,129)	4,580,500		
In aggregate	20-Dec-18	8,170,279	-	(8,045,279)	(125,000)	-	31-Mar-21	1.83
	20-Dec-18	1,402,479	-	(1,239,479)	(163,000)	-	31-Aug-21	1.83
	20-Dec-18	165,000	-	-	(165,000)	-	30-Nov-21	1.83
	20-Dec-18	8,170,275	-	-	(1,140,949)	7,029,326	31-Mar-22	1.83
	20-Dec-18	1,402,542	-	-	(347,500)	1,055,042	31-Aug-22	1.83
	20-Dec-18	165,000	-	-	(165,000)	-	30-Nov-22	1.83
Sub-total		19,475,575	-	(9,284,758)	(2,106,449)	8,084,368		
In aggregate	24-Jul-19	285,333	-	(285,333)	-	-	31-Mar-21	1.82
	24-Jul-19	1,365,500	-	(965,500)	(400,000)	-	31-Aug-21	1.82
	24-Jul-19	185,232	-	-	-	185,232	31-Mar-22	1.82
	24-Jul-19	1,365,500	-	-	(400,000)	965,500	31-Aug-22	1.82
	24-Jul-19	1,365,500	-	-	(400,000)	965,500	31-Aug-23	1.82
Sub-total		4,567,065	-	(1,250,833)	(1,200,000)	2,116,232		
In aggregate	9-Dec-20	400,000	-	(400,000)	-	-	31-Mar-21	2.63
	9-Dec-20	950,000	-	(950,000)	-	-	31-Aug-21	2.63
	9-Dec-20	400,000	-	-	-	400,000	31-Mar-22	2.63
	9-Dec-20	950,000	-	-	-	950,000	31-Aug-22	2.63
	9-Dec-20	400,000	-	-	-	400,000	31-Mar-23	2.63
	9-Dec-20	950,000	-	-	-	950,000	31-Aug-23	2.63
	9-Dec-20	400,000	-	-	-	400,000	31-Mar-24	2.63
	9-Dec-20	950,000	-	-	-	950,000	31-Aug-24	2.63
Sub-total		5,400,000	-	(1,350,000)	-	4,050,000		

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

## 2. First Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Name	Date of grant	Held at January 1, 2021	Granted during the year	Number of Awards		Held at December 31, 2021	Vesting date	Closing price at date of grant (HK\$)
				Vested during the year	Lapsed during the year			
In aggregate	27-May-21	-	590,000	(580,000)	(10,000)	-	31-Aug-21	2.53
	27-May-21	-	23,090,000	-	(20,000)	23,070,000	31-Mar-22	2.53
	27-May-21	-	23,090,000	-	(20,000)	23,070,000	31-Mar-23	2.53
	27-May-21	-	23,090,000	-	(20,000)	23,070,000	31-Mar-24	2.53
	27-May-21	-	22,500,000	-	-	22,500,000	31-Mar-25	2.53
Sub-total		-	92,360,000	(580,000)	(70,000)	91,710,000		
In aggregate	14-Sep-21	-	10,705,928	-	(100,000)	10,605,928	31-Aug-22	1.63
	14-Sep-21	-	10,705,928	-	(100,000)	10,605,928	31-Aug-23	1.63
	14-Sep-21	-	10,705,928	-	(100,000)	10,605,928	31-Aug-24	1.63
	14-Sep-21	-	10,705,928	-	(100,000)	10,605,928	31-Aug-25	1.63
Sub-total		-	42,823,712	-	(400,000)	42,423,712		
In aggregate	22-Dec-21	-	1,307,859	-	-	1,307,859	31-Aug-22	1.19
	22-Dec-21	-	1,307,859	-	-	1,307,859	31-Aug-23	1.19
	22-Dec-21	-	1,307,859	-	-	1,307,859	31-Aug-24	1.19
	22-Dec-21	-	1,307,860	-	-	1,307,860	31-Aug-25	1.19
Sub-total		-	5,231,437	-	-	5,231,437		
<b>Total</b>		<b>41,395,448</b>	<b>140,415,149</b>	<b>(18,783,770)</b>	<b>(4,830,578)</b>	<b>158,196,249</b>		

**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 24(b) to the consolidated financial statements.

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

### 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.

#### *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. For the avoidance of doubt, nil consideration is required to be paid by the eligible participants for the grant of awards under the Second Share Award Scheme.

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, 2021, 59,476,956 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 Reporting Period are set out below:

Name	Date of grant	Held at January 1, 2021	Granted during the year	Number of Awards		Held at December 31, 2021	Vesting date	Closing price at date of grant (HK\$)
				Vested during the year	Lapsed during the year			
<b>Directors</b>								
Mr. Dong Jiang	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
	13-Jul-21	-	5,000,000	-	-	5,000,000	31-Mar-22	2.22
	13-Jul-21	-	5,000,000	-	-	5,000,000	31-Mar-23	2.22
	13-Jul-21	-	5,000,000	-	-	5,000,000	31-Mar-24	2.22
	13-Jul-21	-	5,000,000	-	-	5,000,000	31-Mar-25	2.22
Mr. Tin Fan Yuen	20-Sep-18	337,850	-	(337,850)	-	-	16-Nov-21	2.34
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-22	1.19
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-23	1.19
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-24	1.19
	22-Dec-21	-	337,850	-	-	337,850	31-Aug-25	1.19
Mr. Chester Tun Hon Kwok	20-Sep-18	337,850	-	(337,850)	-	-	16-Nov-21	2.34
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-22	1.19
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-23	1.19
	22-Dec-21	-	337,847	-	-	337,847	31-Aug-24	1.19
	22-Dec-21	-	337,850	-	-	337,850	31-Aug-25	1.19
Ms. Lily Li Dong	20-Sep-18	168,924	-	(168,924)	-	-	16-Nov-21	2.34
	22-Dec-21	-	168,924	-	-	168,924	31-Aug-22	1.19
	22-Dec-21	-	168,924	-	-	168,924	31-Aug-23	1.19
	22-Dec-21	-	168,924	-	-	168,924	31-Aug-24	1.19
	22-Dec-21	-	168,924	-	-	168,924	31-Aug-25	1.19
Sub-total		3,294,624	23,378,478	(2,069,624)	-	24,603,478		

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

## 3. Second Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Name	Date of grant	Held at January 1, 2021	Granted during the year	Number of Awards		Held at December 31, 2021	Vesting date	Closing price at date of grant (HK\$)
				Vested during the year	Lapsed during the year			
<b>Other grantees</b>								
In aggregate	20-Sep-18	500,000	-	(500,000)	-	-	31-Mar-21	2.34
	20-Sep-18	500,000	-	-	-	500,000	31-Mar-22	2.34
	20-Dec-18	300,000	-	(300,000)	-	-	31-Mar-21	1.83
	20-Dec-18	300,000	-	-	-	300,000	31-Mar-22	1.83
	13-Jul-21	-	4,500,000	-	-	4,500,000	31-Mar-22	2.22
	13-Jul-21	-	4,500,000	-	-	4,500,000	31-Mar-23	2.22
	13-Jul-21	-	4,500,000	-	-	4,500,000	31-Mar-24	2.22
	13-Jul-21	-	4,500,000	-	-	4,500,000	31-Mar-25	2.22
	14-Sep-21	-	445,000	-	-	445,000	31-Aug-22	1.63
	14-Sep-21	-	445,000	-	-	445,000	31-Aug-23	1.63
	14-Sep-21	-	445,000	-	-	445,000	31-Aug-24	1.63
	14-Sep-21	-	445,000	-	-	445,000	31-Aug-25	1.63
	22-Dec-21	-	1,000,000	-	-	1,000,000	31-Aug-22	1.19
	22-Dec-21	-	1,000,000	-	-	1,000,000	31-Aug-23	1.19
	22-Dec-21	-	1,000,000	-	-	1,000,000	31-Aug-24	1.19
	22-Dec-21	-	1,000,000	-	-	1,000,000	31-Aug-25	1.19
Sub-total		1,600,000	23,780,000	(800,000)	-	24,580,000		
<b>Total</b>		<b>4,894,624</b>	<b>47,158,478</b>	<b>(2,869,624)</b>	<b>-</b>	<b>49,183,478</b>		

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

### 3. Second Share Award Scheme (Continued)

*Maximum number of Shares to be awarded (Continued)*

*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 24(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, 2021 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. Jimmy Chi Ming Lai (*resigned on May 12, 2021*)  
Mr. Chenkai Ling (*resigned on December 13, 2021*)  
Mr. Huan Zhou (*retired on May 6, 2021*)  
Mr. Matthew Yun Ming Cheng (*appointed on May 12, 2021*)  
Mr. Jun Yang (*appointed on May 12, 2021*)  
Mr. Qin Miao (*appointed on December 13, 2021*)  
Ms. Amanda Chi Yan Chau (*appointed on May 12, 2021*)

### 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. Matthew Yun Ming Cheng, Mr. Jun Yang, Mr. Qin Miao and Ms. Amanda Chi Yan Chau who were appointed as non-executive Directors during the year of 2021, shall hold office until the first general meeting of the Company following their appointments, i.e. the Annual General Meeting and, all being eligible, offer themselves for re-election at that 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. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Andy Xuan Zhang and Mr. Dong Jiang shall retire by rotation and, all being eligible, offer themselves for re-election at the Annual General Meeting.

\* Following the appointment of Mr. Zhi Gao as our Joint President with effect from March 24, 2022, Mr. Jiang has remained as the other Joint President.



## **BOARD OF DIRECTORS**

Biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this annual report.

## **DIRECTORS’ SERVICE CONTRACTS**

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 sections headed “Connected Transactions” and “Continuing 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, 2021.

## **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. A permitted indemnity provision as required by the Hong Kong Companies Ordinance is currently in force and was in force for the benefit of the Directors throughout the year ended December 31, 2021.

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 its holding company or any of its subsidiaries or fellow 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, 2021, 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

Name of Director	Number of Shares			Approximate percentage of issued Shares <sup>(5)</sup>
	Personal interest	Number of underlying Shares interested <sup>(4)</sup>	Total interests	
Mr. Andy Xuan Zhang	–	233,466,189(L) <sup>(1)</sup>	233,466,189	3.58%
Mr. Dong Jiang	28,657,810(L)	21,225,000(L) <sup>(2)</sup>	49,882,810	0.77%
Mr. Jun Yang	3,000(L)	–	3,000	0.00%
Ms. Lily Li Dong	–	675,696(L) <sup>(3)</sup>	675,696	0.01%
Mr. Chester Tung Ho Kwok	–	1,351,391(L) <sup>(3)</sup>	1,351,391	0.02%
Mr. Tin Fan Yuen	–	1,351,391(L) <sup>(3)</sup>	1,351,391	0.02%

*Notes:*

- (1) Mr. Andy Xuan Zhang's entitlement to receive up to 233,466,189 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) Such interest represents the award Shares granted to Mr. Dong Jiang under the Second Share Award Scheme adopted by the Company.
- (3) Such interest represents the award Shares granted to each of Ms. Lily Li Dong, Mr. Chester Tung Ho Kwok and Mr. Tin Fan Yuen respectively on December 22, 2021 under the Second Share Award Scheme adopted by the Company.
- (4) The letter "L" denotes long position in such underlying Shares.
- (5) The percentages are calculated on the basis of 6,519,050,012 Shares in issue as at December 31, 2021.

## 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

Name of Director	Number of ordinary shares in Yiche Holding				
	Beneficiary of a trust (other than a discretionary interest)	Personal interest	Number of underlying shares interested <sup>(2)</sup>	Total interests	Approximate percentage of issued shares <sup>(3)</sup>
Mr. Andy Xuan Zhang	–	–	1,680,000(L) <sup>(1)</sup>	1,680,000	2.33%

*Notes:*

- (1) Mr. Andy Xuan Zhang's entitlement to shares related to outstanding restricted stock units granted under Yiche Holding's employee incentive plan.
- (2) The letter "L" denotes long position in such underlying shares.
- (3) The percentage is calculated on the basis of 72,208,453 ordinary shares of Yiche Holding in issue as at December 31, 2021.

Save as disclosed above, as at December 31, 2021, 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, 2021, 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 <sup>(6)</sup>	Approximate percentage of issued Shares <sup>(7)</sup>
Tencent Mobility Limited <sup>(1)</sup>	Beneficial owner	489,922,607(L)	7.52%
THL H Limited <sup>(1)</sup>	Beneficial owner	931,604,940(L)	14.29%
Morespark <sup>(1)</sup>	Beneficial owner	2,093,833,612(L)	32.12%
	Beneficial owner	21,106,272(S)	0.32%
Tencent <sup>(1)</sup>	Interest of controlled corporation	3,515,361,159 (L)	53.92%
	Interest of controlled corporation	21,106,272(S)	0.32%
JD.com Global Investment Limited <sup>(2)</sup>	Beneficial owner	407,159,101(L)	6.25%
JD Financial Investment Limited <sup>(2)</sup>	Beneficial owner	684,283,320(L)	10.50%
JD.com Investment Limited <sup>(2)</sup>	Interest of controlled corporation	1,091,442,421(L)	16.74%
JD.com <sup>(2)</sup>	Interest of controlled corporation	1,091,442,421(L)	16.74%
Max Smart Limited <sup>(2)</sup>	Interest of controlled corporation	1,091,442,421(L)	16.74%
UBS Trustees (B.V.I.) Limited <sup>(2)</sup>	Trustee	1,091,442,421(L)	16.74%
Liu Qiangdong Richard <sup>(3)</sup>	Beneficiary of a trust	1,091,442,421(L)	16.74%
Hammer Capital Holdco 1 Limited <sup>(4)</sup>	Beneficial owner	422,125,440(L)	6.48%
Hammer Capital <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Hammer Capital Asset Management Limited <sup>(4)</sup>	Investment manager	516,393,344(L)	7.92%
Hammer Capital Partners Ltd. <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Hammer Capital Opportunities General Partner <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Silver Oryx Limited <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Avantua Investments Limited <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Go Winner Investments Limited <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Woodbury Capital Management Limited <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Cheng Chi Kong <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Cheung Siu Fai <sup>(4)</sup>	Interest of controlled corporation	516,393,344(L)	7.92%
Tsang Ling Kay Rodney <sup>(4), (5)</sup>	Beneficial owner	68,871,952(L)	1.06%
	Interest of controlled corporation	581,819,092(L)	8.92%

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

*Notes:*

- (1) Tencent Mobility Limited which holds 489,922,607 Shares, THL H Limited which holds 931,604,940 Shares, and Morespark which holds 2,093,833,612 Shares in long position and 21,106,272 Shares in short position, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which Tencent Mobility Limited, THL H Limited and Morespark are interested under the SFO. Tencent has granted a voting proxy to Proudview Limited in relation to 573,885,842 Shares, representing approximately 8.80% of the issued share capital of the Company as at December 31, 2021.
- (2) JD.com Global Investment Limited which holds 407,159,101 Shares and JD Financial Investment Limited which holds 684,283,320 Shares are 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 72.60% by Max Smart Limited, 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 Limited, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the total number of Shares in which JD.com Global Investment Limited and JD Financial Investment Limited are interested under the SFO.
- (3) Liu Qiangdong Richard holds 1,091,442,421 Shares as a beneficiary of a private trust.
- (4) Hammer Capital Holdco 1 Limited which holds 422,125,440 Shares and Hammer Capital Offerco 1 Limited which holds 94,267,904 Shares are wholly-owned subsidiaries of Hammer Capital. Accordingly, Hammer Capital is deemed to be interested in the same number of Shares in which Hammer Capital Holdco 1 Limited and Hammer Capital Offerco 1 Limited are interested under the SFO.
  - (a) Silver Oryx Limited, being the sole limited partner of Hammer Capital, is wholly-owned by Avantua Investments Limited. Avantua Investments Limited is owned as to 70% by Go Winner Investments Limited, which in turn is wholly-owned by Woodbury Capital Management Limited, and Woodbury Capital Management Limited is wholly-owned by Cheng Chi Kong.
  - (b)
    - (i) Hammer Capital Asset Management Limited, being the investment manager of Hammer Capital, is wholly-owned by Hammer Capital Partners Ltd.. Hammer Capital Partners Ltd. is owned by each of Cheung Siu Fai and Tsang Ling Kay Rodney as to 50%;
    - (ii) Hammer Capital Opportunities General Partner, being general partner of Hammer Capital, is wholly-owned by Tsang Ling Kay Rodney.

Accordingly, each of Hammer Capital's general partners, controlling corporations and controlling persons is deemed to be interested in the same number of Shares in which Hammer Capital is interested under the SFO.
- (5) Hammer Capital Management Limited, which holds 65,425,748 Shares, is wholly-owned by Tsang Ling Kay Rodney. Accordingly, Tsang Ling Kay Rodney is deemed to be interested in the same number of Shares in which Hammer Capital Management Limited is interested under the SFO.
- (6) The letters "L" and "S" denote the Substantial Shareholder's long position and short position in such Shares, respectively.
- (7) The percentages are calculated on the basis of 6,519,050,012 Shares in issue as at December 31, 2021.

Save as disclosed above, as at December 31, 2021, 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.

## REPORT OF THE DIRECTORS

### 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, 2021, 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

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" and Note 31 to the consolidated financial statements in relation to the related party transactions of the Group during the Reporting Period, no contract of significance or contract of significance for the provision of services between the Company or any of its subsidiaries or the Consolidated Affiliated Entity and the Controlling Shareholders or any of their subsidiaries has been entered into during the Reporting Period or subsisted as at the end of the Reporting Period.

### 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 (and/or their respective associates as defined under Rules 14A.07, 14A.12 and 14A.13 as appropriate) that constituted connected transactions under the Listing Rules.

- Bitauto is considered a “connected person” under the Listing Rules by virtue of it being an associate of the Controlling Shareholder. Bitauto had been a Substantial Shareholder until March 5, 2021. Any transactions between the Company and Bitauto and/or its associates are considered as connected transactions pursuant to Rule 14A.25.
- Bitauto HK is considered a “connected person” under the Listing Rules by virtue of it being an associate of the Controlling Shareholder. Bitauto HK had been a Substantial Shareholder until March 5, 2021. Any transactions between the Company and Bitauto HK are considered as connected transactions pursuant to Rule 14A.25.
- Tencent is considered a “connected person” under the Listing Rules by virtue of it being the Controlling Shareholder. Any transactions between the Company and Tencent and/or its associates are considered as connected transactions pursuant to Rule 14A.25.
- JD.com is considered a “connected person” under the Listing Rules by virtue of it being a Substantial Shareholder. Any transactions between the Company and JD.com and/or its associates are considered as connected transactions pursuant to Rule 14A.25.

## CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group during the Reporting Period, 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. **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 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 and commenced 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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 1. **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”) (Continued)**

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 and the aggregate fees paid by the Group pursuant to the Renewed Used Auto Services Strategic Cooperation Agreement for the year ended December 31, 2021 is RMB40,000,000 and amounted to approximately RMB22,126,000, respectively.

The annual cap for the Renewed Used Auto Services Strategic Cooperation Agreement for the year ending December 31, 2022 is RMB50,000,000.

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.

### 2. **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 and commenced on the date of the agreement. The Company, 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 and commenced 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 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.



## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 2. Automobile leasing agreement with Beijing Bitauto Interactive (Continued)

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 and the aggregate fees paid to the Group pursuant to the Automobile Leasing Framework Agreement for the year ended December 31, 2021 is RMB15,000,000 and amounted to approximately RMB278,000, respectively.

The annual cap for the Renewed Automobile Leasing Framework Agreement for the year ending December 31, 2022 is RMB20,000,000.

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

### 3. 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, Xinchest Investment and WeBank (an associate of Tencent) entered into an automobile financing cooperation framework agreement (the “**Automobile Financing Cooperation Framework Agreement**”), pursuant to which Xinchest Investment and WeBank agreed to cooperate to deliver certain automobile financing services to their customers. WeBank will pay Xinchest Investment service fees in consideration for the cooperation. The term of the Automobile Financing Cooperation Framework Agreement commenced from August 7, 2018 and was expired on December 31, 2019. On April 11, 2019, a supplemental agreement was entered into between Xinchest 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. The Company expected to continue the transactions under the Automobile Financing Cooperation Framework Agreement after December 31, 2020 and, through Xinchest Investment, renewed the above agreement by entering into the renewed Automobile Financing Cooperation Framework Agreement (the “**Renewed Automobile Financing Cooperation Framework Agreement**”) with WeBank on November 17, 2020. The Renewed Automobile Financing Cooperation Framework Agreement is for three years with the annual caps of RMB280,000,000 for the year ended December 31, 2021 and each of the years ending December 31, 2022 and 2023.

Through the platforms operated or controlled by Xinchest Investment, Xinchest 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.

### CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

#### 3. **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 payable by WeBank to the Group under the Renewed Automobile Financing Cooperation Framework Agreement constitute two components, namely the basic service fees and the supplemental service fees. The basic service fees for each auto loan transaction facilitated by 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 supplemental service fees are charged based on the scale of the auto loan transactions facilitated by the Group. It shall be calculated by multiplying the total amount of auto loans by a predetermined rate which shall be determined with reference to fair market rate and specified in the subsequent cooperation agreements. The aggregate fees paid to the Group pursuant to the Renewed Automobile Financing Cooperation Framework Agreement for the year ended December 31, 2021 amounted to approximately RMB43,322,000.

By entering into the Renewed Automobile Financing Cooperation Framework Agreement with WeBank, the Group can leverage on its expertise and capabilities of Loan Facilitation Services to serve more auto finance customers, increase revenues, and grow business and operation scale and with a long-term cooperation relationship between the Group and WeBank, the Group expects that it will benefit from WeBank, which is familiar with the industry and business operation of the Group, so it will be at an advantage to provide the Group with more effective, suitable and flexible services compared to other industry players.

Further details of the Renewed Automobile Financing Cooperation Framework Agreement are set out in the announcement of the Company dated November 17, 2020.

**CONTINUING CONNECTED TRANSACTIONS (CONTINUED)****4. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive**

On September 30, 2017, Xince 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 Xince Investment. 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. The online calculator tool service, due to the business considerations of Beijing Bitauto Interactive, had been discontinued since January, 2018.

The Company, through Xince 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 and commenced on 1 January 2020. To better account for and reflect the comprehensive advertising services provided by the Group, 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.

**CONTINUING CONNECTED TRANSACTIONS (CONTINUED)****4. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive (Continued)**

The annual caps and the aggregate fee paid to the Group pursuant to the Renewed Cooperation Framework Agreement are as follows:

	<b>Annual caps for the year ended December 31, 2021</b> <i>(RMB)</i>	<b>Aggregate annual fee</b> <i>(RMB)</i>	<b>Annual caps for the year ending December 31, 2022</b> <i>(RMB)</i>
Data services	14,000,000	–	14,000,000
Advertising services	70,000,000	–	80,000,000
<b>Total</b>	<b>84,000,000</b>	<b>–</b>	<b>94,000,000</b>

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.

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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 5. 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 and the announcement of the Company dated September 12, 2019 in relation to the payment related services provided by certain associates of Tencent to members of the Group since July 2017 and the existing payment services framework agreement (the “**Existing Payment Services Framework Agreement**”) entered into between Shanghai Yixin and Tenpay (a subsidiary of Tencent) on September 12, 2019. The Company expects to continue the payment related services provided by certain associates of Tencent after December 31, 2021 and renewed the Existing Payment Services Framework Agreement by entering into (through Shanghai Yixin) the payment services framework agreement (the “**Payment Services Framework Agreement**”) on December 30, 2021 for a term of three years effective from January 1, 2022.

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. The aforementioned percentage shall be determined based on the official price lists or business policies issued by Tenpay from time to time that are applicable to all of its other independent third party customers. The handling fee will be settled by making real-time deduction from the payments made by customers of the Group.

The annual cap for and the aggregate fees paid by the Group pursuant to the Existing Payment Services Framework Agreement for the year ended December 31, 2021 is RMB40,000,000 and amounted to approximately RMB2,996,000, respectively.

The annual caps for the Payment Services Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024 is RMB18,000,000, RMB20,000,000 and RMB25,000,000 respectively.

Aside from the new annual caps, the terms of the Payment Services Framework Agreement (including the pricing policy) are substantially the same as those of the Existing Payment Services Framework Agreement.

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, there is a strong business need 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 December 30, 2021.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 6. 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 (an associate of Bitauto), 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 and commenced 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 and the aggregate fee paid by the Group pursuant to the Advertising Framework Agreement for the year ended December 31, 2021 is RMB105,000,000 and amounted to approximately RMB59,281,000, respectively.

The annual cap for the Advertising Framework Agreement for the year ending December 31, 2022 is RMB110,000,000.

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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 7. Platform Technology Services Framework Agreement with Suqian Yunhan

On March 30, 2020, Shanghai Yixin and Suqian Yunhan (an associate of Mr. Liu Qiangdong who is the ultimate controlling shareholder of JD.com which in turn is one of the Substantial Shareholders) entered into the platform technology services framework agreement (the “**Platform Technology Services Framework Agreement**”), pursuant to which Suqian Yunhan (or its affiliated companies) shall promote the Group’s online automobile financing business through a service promotion section on the *Jingdong Baitiao* platforms it operates and the Group shall pay Suqian Yunhan (or its affiliated companies) service fees in consideration for the services provided. The term of the Platform Technology Services Framework Agreement shall commence on the date of the agreement and end on December 31, 2022.

The service fees shall be calculated based on a certain percentage (i.e. the service fee rate, which shall be within an agreed range with reference to the prevailing market rates) of the financing amounts of the successful transactions between the Group and the users generated from the Platform Technology Services Framework Agreement.

The annual cap for and the aggregate fee paid by the Group pursuant to the Platform Technology Services Framework Agreement for the year ended December 31, 2021 is RMB52,920,000 and amounted to approximately RMB32,298,000, respectively.

The annual cap for the Platform Technology Services Framework Agreement for the year ending December 31, 2022 is RMB80,000,000.

By entering into the Platform Technology Services Framework Agreement with Suqian Yunhan, the Group can utilise the *Jingdong Baitiao* platforms, which are among the leading consumer lending online platforms in China, and further expand its customer base for its automobile financing business with the aim to increase its revenues and operation scale.

Further details of the Platform Technology Services Framework Agreement are set out in the announcement of the Company dated March 30, 2020.

### 8. Business Cooperation Framework Agreement with Dalian Rongxin

On December 14, 2021, Shanghai Yixin, entered into the business cooperation framework agreement (the “**Business Cooperation Framework Agreement**”) with Dalian Rongxin (an associate of Tencent) pursuant to which Shanghai Yixin shall provide certain business support services to Dalian Rongxin and Dalian Rongxin shall provide certain commercial consulting services relating to financing guarantees businesses to Shanghai Yixin (and its affiliates) in exchange for a service fee. The term of the Business Cooperation Framework Agreement shall commence on the date of the agreement and end on December 31, 2023.

The fee payable by the Group to Dalian Rongxin was determined after arm’s length negotiation between the parties and with reference to the market rates for business support services of comparable specifications, and shall be calculated as 105% of all aggregate costs of provision of such services. The terms were no less favourable to the Company than those which could be obtained from independent third party suppliers.

The fee payable by Dalian Rongxin to the Group was determined after arm’s length negotiation between the parties and with reference to the market rates for consulting services of comparable specifications, and shall be calculated as 105% of all aggregate costs of provision of such services. The terms were no less favourable to the Company than those which could be obtained from independent third party customers.





## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### Confirmation from the independent non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (8) above (the “**Continuing Connected Transactions**”), and confirmed that 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 relevant agreements governing them, on terms that are fair and reasonable and in the interests of the Company and 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, 2021, in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA.

Pursuant to the waiver dated November 2, 2017 granted by the Stock Exchange from strict compliance with the requirements of setting an annual cap under Rule 14A.53 of the Listing Rules for the transactions with Beijing Yixin under the contractual arrangements, 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, 2021:

- (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 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;
- (d) with respect to the aggregate amount of the continuing connected transactions other than those transactions with Beijing Yixin under the contractual arrangements, 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; and
- (e) with respect of the disclosed continuing connected transactions with Beijing Yixin under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by Beijing Yixin to the holders of the equity interests of Beijing Yixin which are not otherwise subsequently assigned or transferred to the Group.

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 31 to the consolidated financial statements. During the Reporting Period, only (i), (iii), (iv), (v), (vi) and (vii) of the Related Party Transactions in Note 31(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 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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. 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.

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 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. Bi Jianjun (畢建軍), 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 a value-added telecommunications business operating 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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. New Contractual Arrangements (Continued)

#### *Reasons for the New Contractual Arrangements (Continued)*

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.
- 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 Foreign Investment Law and the Regulations for Implementation of the Foreign Investment Law of the PRC and how it may impact the viability of our current corporate structure, corporate governance and business operations.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. New Contractual Arrangements (Continued)

#### *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, 2021, the accumulated losses of Beijing Yixin amounted to RMB1,083 million (2020: RMB700 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.

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).

**CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**

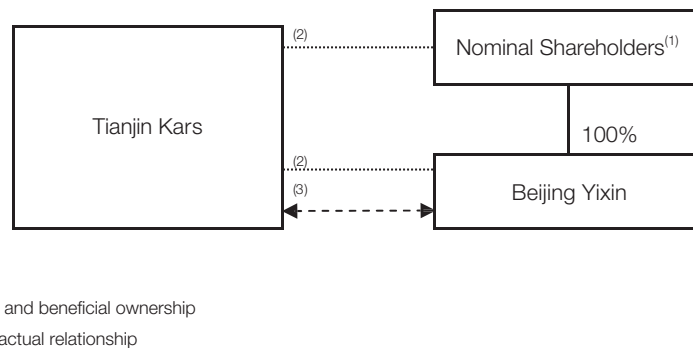
**9. New Contractual Arrangements (Continued)**

*New Contractual Arrangements in place (Continued)*

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.

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.

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, 2021, nor material change in the New Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2021.

For the year ended December 31, 2021, 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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. 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, 2021 and 2020 were RMB34 million and RMB37 million, respectively.

For the year ended December 31, 2021, the revenue of Beijing Yixin amounted to approximately 0.98% (2020: 1.1%) 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;

**CONTINUING CONNECTED TRANSACTIONS (CONTINUED)****9. 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 such 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 value-added telecommunications business operating 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.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. 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](http://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.



## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. 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.

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities 《關於依法從嚴打擊證券違法活動的意見》 which further emphasized the need to strengthen cross-border collaboration on law enforcement and regulation of securities law in three ways: (i) strengthening joint regulatory oversight, including improving relevant laws and regulations on data security, cross-border data flow, classified information management etc. and strengthening the standardized management of cross-border data transmission mechanism and process; (ii) strengthening the supervision of China-based overseas-listed companies, including promoting the construction of relevant regulatory systems to deal with the risks and emergencies of China-based overseas-listed companies; (iii) establishing a comprehensive overseas regulatory system for overseas capital markets, including formulating the judicial interpretation and supplementary rules for provisions of the securities law that are applicable overseas.

Subsequently, on December 24, 2021, the China Securities Regulatory Commission (the "CSRC") released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》, and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) 《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》 (collectively the "Draft Overseas Listing Rules"). According to the Draft Overseas Listing Rules, the offering or listing of shares, depository receipts, convertible corporate bonds, or other equity-like securities by a PRC company on an overseas stock market, whether directly or indirectly through an offshore holding company, should be filed with the CSRC. The issuer (if the issuer is a PRC company), or its affiliated PRC company (if the issuer is an offshore holding company), must make a filing to the CSRC in respect of any initial public offerings, follow-on offerings and other offering activities conducted by the issuer. Once listed overseas, an issuer is further required to report to the CSRC within three business days after the occurrence of any of the following major events: (i) a change of control of the issuer; (ii) the investigation, sanction or other measures undertaken by a foreign securities regulatory agencies or relevant competent authorities with respect to the issuer; and (iii) the voluntary or mandatory delisting of the issuer. Based on a set of Q&A published on the CSRC's official website in connection with the release of the Draft Overseas Listing Rules, a CSRC official indicated that the filing requirements proposed under the said rules will apply to future offerings and listings, including initial public offerings of non-listed PRC companies and follow-on offerings by PRC companies that are already listed overseas. The regulator will separately provide other filing requirements applicable to PRC companies that are already listed overseas and will allow sufficient time for the transition period. As the Draft Overseas Listing Rules are currently in draft form, there are still uncertainties regarding its final content, adoption timeline, effective date or relevant implementation rules. There are also uncertainties regarding other new rules or regulations to be promulgated in the future and the additional requirements that may be imposed on us. As of the date of this annual report, we are unable to predict the impact of these regulations on maintaining the listing status of our securities, or any of our future offerings of securities overseas.

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### 9. New Contractual Arrangements (Continued)

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

In addition, on December 28, 2021, the Cyberspace Administration of China (the “CAC”) and several other administrations jointly issued the Measures for Cybersecurity Review 《網絡安全審查辦法》 (the “Measures”), which became effective on February 15, 2022. According to the Measures, among others, if an “online platform operator” that is in possession of personal data of more than one million users intends to list in a foreign country, it must report to the relevant cybersecurity review office for a cybersecurity review. In addition, the Measure also provides that if the relevant authorities consider that certain network products and services, data processing activities and overseas listing activities affect or may affect national security, the authorities may initiate a cybersecurity review even if the companies do not have an obligation to report for a cybersecurity review under such circumstances. On November 14, 2021, the CAC published Regulations on Network Data Security Management (Draft for Comments) 《網絡數據安全管理條例(徵求意見稿)》 (the “Draft Regulations”), which set out general guidelines for the protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. The Draft Regulations stipulate that data processors process important data or that are listed overseas shall conduct an annual data security review by itself or by a data security service provider commissioned by it, and submit the annual data security review report for the prior year to the municipal cybersecurity department by 31 January each year. If the Draft Regulations are enacted in the current form eventually, we, as an overseas listed company, must carry out the above annual data security review and meet relevant reporting obligations. As the Measures were newly issued and draft Regulations have not been adopted, it is uncertain how the foregoing regulations will be enacted (if not enacted yet), interpreted or implemented, whether such regulations may have retroactive effect and how they will affect us. Furthermore, if there would be any approval, filings and/or other administration procedures to be obtained from or completed with the CSRC, the CAC or other PRC regulatory authorities as required by any new laws and regulations, while we will use our best endeavors to comply with the requirements of such new laws and regulations and avoid or mitigate any related adverse effects, we cannot assure that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approval or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from the CSRC, the CAC or other PRC regulatory authorities, which may have material adverse effect on our business, operation or financial conditions.

**CONTINUING CONNECTED TRANSACTIONS (CONTINUED)****9. New Contractual Arrangements (Continued)***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, 2021, in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "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.
- (c) with respect to the contractual arrangements entered into by the Group, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by Beijing Yixin to its registered equity holders which are not otherwise subsequently assigned or transferred to the Group.

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 RMB4,922,615.

### 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, consumers for guarantee service and after-market 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, 2021, the amounts of revenue from the Group's five largest customers accounted for 32% (2020: 13%) of the Group's total revenue and the amount of revenue from our single largest customer accounted for 16% (2020: 7%) of the Group's total revenue.

During the year ended December 31, 2021, our largest customer from which we derived 16% of our revenues was Minsheng Financial Leasing Co., Ltd.

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

#### Suppliers

Our suppliers primarily include auto dealers, which supply us or our customers with automobiles and facilitate our financed transactions with our customers, 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 working closely with our top suppliers to strengthen our relationships with them. Purchases from our five largest suppliers excluding banks, financial institutions and holders of asset-backed securities and notes for the year ended December 31, 2021 accounted for approximately 32% (2020: 13%) of our total purchase amount. Our largest supplier for the year ended December 31, 2021 accounted for approximately 25% (2020: 10%) 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, owned more than 5% of the Company's issued Shares had any interest in any of 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

From January 1, 2022 and up to the date of this annual report, there was no important event or transaction affecting the Group and which is required to be disclosed by the Company to its Shareholders.

## 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” contained 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 as at the latest practicable date prior to the despatch of this annual report, 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 Monday, May 23, 2022 to Thursday, May 26, 2022, 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 Friday, May 20, 2022.

## 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 23, 2022

*Note:*

Subsequent to the date of this Report of the Directors (i.e. March 23, 2022) and up to the latest practicable date prior to the printing of this annual report, the following changes to the Board and senior management have taken place:

- (a) On March 24, 2022, Mr. Zhi Gao was appointed as our Joint President and resigned as our chief operating officer, and Mr. Rui Song was appointed as our chief operating officer.
- (b) On April 6, 2022, Mr. Matthew Yun Ming Cheng resigned as a non-executive Director and Mr. Qing Hua Xie was appointed as a non-executive Director, following the resignation of Mr. Cheng. For further details, please refer to the announcement of the Company published on April 6, 2022.

# 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. The Company notes that the CG Code has been amended and re-numbered with effect from 1 January 2022. Where references are made to code provisions of the CG Code in this Corporate Governance Report, the new numbering of the code provisions is stated in brackets immediately after the previous numbering of the code provisions that were in force during the Reporting Period. In the opinion of the Directors, throughout 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 (or new code provision C.2.1) which stipulates 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 section 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.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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, 2021.

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

As at the date of this annual report, the Board comprises nine members as follows:

<b>Executive Directors:</b>	Mr. Andy Xuan Zhang ( <i>Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee</i> ) Mr. Dong Jiang ( <i>President</i> )*
<b>Non-executive Directors:</b>	Mr. Matthew Yun Ming Cheng <sup>#</sup> Mr. Jun Yang Mr. Qin Miao Ms. Amanda Chi Yan Chau
<b>Independent Non-executive Directors:</b>	Mr. Tin Fan Yuen ( <i>Chairman of the Remuneration Committee and Member of the Audit Committee</i> ) Mr. Chester Tun Ho Kwok ( <i>Chairman of the Audit Committee and Member of the Nomination Committee</i> ) Ms. Lily Li Dong ( <i>Member of the Audit Committee, the Remuneration Committee and the Nomination Committee</i> )

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” 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 (or new code provision C.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.

\* Following the appointment of Mr. Zhi Gao as our Joint President with effect from March 24, 2022, Mr. Jiang has remained as the other Joint President.

<sup>#</sup> On April 6, 2022, Mr. Matthew Yun Ming Cheng resigned as a non-executive Director and Mr. Qing Hua Xie was appointed as a non-executive Director, following the resignation of Mr. Cheng. For further details, please refer to the announcement of the Company published on April 6, 2022.

### **Terms of Directors and Re-election of Directors**

Code provision A.4.2 (or new code provision B.2.2) of the CG Code 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. All Directors have been updated on the latest developments regarding the statutory and regulatory requirements and also the business and market changes to facilitate the performance of their responsibilities and obligations under the Listing Rules and relevant statutory requirements, and enhance their awareness of good corporate governance practices.

All 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 market and the operations 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. The Directors confirmed that they have complied with the code provision A.6.5 (or new code provision C.1.4) of the CG Code on Directors' training during the Reporting Period.

### **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](http://www.yixincars.com)) and the Stock Exchange ([www.hkexnews.hk](http://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 anti-corruption policy and system and the whistleblowing policy and systems and other arrangements for employees of the Company to raise concerns about possible improprieties in any matters related to 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 included: reviewing the Company's annual financial results and annual report for the year ended December 31, 2020 and the interim results and interim report for the six months ended June 30, 2021, the significant issues on 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 profit warning announcement.

### 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;
- establishing transparent procedures for developing the Company's policy and structure for the remuneration of all Directors and senior management (the "**Remuneration Policy**"); and
- reviewing and making recommendations to the Board on the Remuneration Policy as follows:

#### Remuneration Policy

- No individual or any of his or her associates should participate in deciding his or her own remuneration.
- The remuneration of the Directors and senior management is determined with reference to their expertise and experience in the industry, level of responsibility, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The model of the Remuneration Committee described in code provision B.1.2 (c)(ii) (or new code provision E.1.2 (c) (ii)) of the CG Code has been adopted by the Company.

During the Reporting Period, the Remuneration Committee met thrice with all members of the committee attended to consider the appointment terms for the new Directors, 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 and senior management are set out in Notes 8 and 32 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.

The two Board policies, namely the diversity policy (the “**Diversity Policy**”), which is available on the Company’s website (www.yixincars.com), and the nomination policy (the “**Nomination Policy**”) were adopted by the Board in January 2018 (and updated in December 2018) and December 2018, respectively. These two policies set out the approach and measurable objectives to achieving diversity of the Board and the approach and procedures that the Board adopts in respect of the nomination and selection of Directors.

The nomination process has been, and will continue to be, conducted in accordance with the Diversity Policy and the Nomination Policy. The Board will from time to time review these policies and monitor their implementation to ensure continuous effectiveness and compliance with the relevant regulatory requirements and good corporate governance practices.

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 Diversity Policy, which is reproduced as follows:

### Diversity Policy

#### – *Vision*

The Company recognizes and 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.

#### – *Policy Statement*

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 industrial experience.

### – *Measurable Objectives*

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.

### – *Monitoring and Reporting*

The Nomination Committee will monitor the implementation of the Diversity Policy. The Nomination Committee will report annually a summary of the Diversity Policy, the measurable objectives and relevant programs that the Board has adopted for implementation of the Diversity Policy, and the progress made towards achieving these objectives in the corporate governance report contained in the Company's annual report.

### – *Review of the Diversity Policy*

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure the effectiveness of the Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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. Where a retiring Director, being eligible, offers himself or herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to the Shareholders prior to the general meeting at which such Directors are to be proposed for re-election, in accordance with the Articles of Association and the Listing Rules.

The Company currently has two female Directors, and the Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The Nomination Committee reviewed the structure, size, and diversity of the Board, to ensure that its composition complies with the Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the Company's strategy, governance, and business and contribute to the Board's effectiveness and efficiency. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment. Information about the diversity, including the gender diversity, in the workforce during the Reporting Period are set out in the section headed "Employee's employment and rights" in the "ESG Report" contained in this annual report.

### *Nomination Policy*

The Nomination Policy 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 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 thrice with all members of the committee attended to review the structure, size and composition of the Board, the resignation and possible appointment of Directors, the independence of the independent non-executive Directors, the Diversity Policy, 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 2021.

## Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 (or new code provision A.2.1) 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, Nomination Committee meetings and the general meetings held during the Reporting Period are as follows:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
<b>Executive Directors:</b>						
Mr. Andy Xuan Zhang	7/7	N/A	3/3	3/3	1/1	1/1
Mr. Dong Jiang	7/7	N/A	N/A	N/A	1/1	1/1
<b>Non-executive Directors:</b>						
Mr. Jimmy Chi Ming Lai <sup>1</sup>	3/3	N/A	N/A	N/A	0/1	0/1
Mr. Matthew Yun Ming Cheng <sup>2</sup>	3/4	N/A	N/A	N/A	N/A	N/A
Mr. Jun Yang <sup>2</sup>	4/4	N/A	N/A	N/A	N/A	N/A
Mr. Chenkai Ling <sup>3</sup>	6/7	N/A	N/A	N/A	1/1	1/1
Mr. Qin Miao <sup>4</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Huan Zhou <sup>5</sup>	0/2	N/A	N/A	N/A	0/1	0/1
Ms. Amanda Chi Yan Chau <sup>2</sup>	4/4	N/A	N/A	N/A	N/A	N/A
<b>Independent Non-executive Directors:</b>						
Mr. Tin Fan Yuen	7/7	4/4	3/3	N/A	0/1	0/1
Mr. Chester Tun Ho Kwok	7/7	4/4	N/A	3/3	1/1	1/1
Ms. Lily Li Dong	7/7	4/4	3/3	3/3	0/1	0/1

<sup>1</sup> resigned as a non-executive director on May 12, 2021.

<sup>2</sup> appointed as a non-executive director on May 12, 2021.

<sup>3</sup> resigned as a non-executive director on December 13, 2021.

<sup>4</sup> appointed as a non-executive director on December 13, 2021.

<sup>5</sup> retired as a non-executive director at the conclusion of the annual general meeting of the Company on May 6, 2021.

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 Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

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 Appendix 16 Disclosure of Financial Information of the Listing Rules.

The 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 the 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 of the Company 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 put 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" 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	
	2021 RMB'000	2020 RMB'000
Audit Services	6,961	5,973
Non-audit Services	363	341
<b>Total</b>	<b>7,324</b>	<b>6,314</b>

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, 2021.

### 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](mailto:ir@yixincars.com)

## CORPORATE GOVERNANCE REPORT

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.

The Memorandum and Articles of Association is available on the websites of the Company ([www.yixincars.com](http://www.yixincars.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association.



## ABOUT THIS REPORT

This is the Environmental, Social and Governance (hereinafter referred to as “ESG”) report for the year ended December 31, 2021 released by Yixin Group Limited (hereinafter referred to as “Yixin Group”, the “Group”, the “Company”, “we”, “us” or “our”) in compliance with the requirements of the “ESG Reporting Guide” in Appendix 27 to the Listing Rules, with a view to reflecting the overall ESG performance of the Company in an objective and fair manner. Readers are advised to read this report together with the section “Corporate Governance Report” in the annual report. Unless otherwise stated, the scope of this report covers the operating units of Yixin Group and its subsidiaries in mainland China, and the Reporting Period is from January 1, 2021 to December 31, 2021.

The ESG report for the year is prepared with consistency in terms of methodology with previous years, which adhered to the reporting principles of materiality, quantitiveness and consistency in the ESG Reporting Guide.

Principle of “materiality”: Key stakeholders and their ESG issues of concern have been identified in the preparation of this report and targeted disclosures have been made in this report based on the relative importance of their issues of concern.

Principle of “quantitiveness”: This report presents the key performance indicators related to environmental and social aspects using quantitative information. The measurement, methodologies, assumptions and/or calculation tools, and sources of conversion factors used for the key performance indicators in this report have been illustrated where appropriate.

Principle of “consistency”: This report uses consistent data statistics methods compared with that in the Company’s Environmental, Social and Governance Report 2020.

## BOARD STATEMENT

The Board strives to achieve the harmonious development among corporate, society and nature, placing high importance on the ESG governance. Being the highest level authority responsible for the ESG matters and decision-making, the Board participates in the entire process of the ESG governance and disclosure and assumes full responsibilities for the Company’s ESG strategy development and reporting.

**Supervision over the ESG matters:** the Board incorporates the ESG matters into the Company’s governance structure. The ESG Committee is responsible for reviewing and overseeing the Group’s ESG policies and practices as well as providing recommendations to the Board on the ESG management. On March 17, 2021, the Group’s ESG Committee reviewed the 2020 annual ESG report and corporate governance report, at which the committee evaluated the new management requirements of ESG and the effectiveness and adequacy of the terms of reference of the ESG Committee and conducted annual review on the shareholder communication policy.

**ESG management guideline and policy:** the Company integrates the ESG governance into its daily management system and sorts and manages ESG related matters and internal and external risks by priority and based on internal strategic planning, macro policy analysis and communications with stakeholders. The Company reports to the Board in respect of the ESG governance, specifying the key aspects and management guidelines and policies of ESG governance, so as to continuously improve and advance the execution and optimization of ESG related work.

**Review on the ESG goal:** the Board constantly enhances the supervision over and participation of the Company’s ESG governance. The Company develops annual environmental goals focusing environment protection, energy conservation and lower carbon, and the Board will review and consider the fulfillment of the goals on a regular basis.

This report has been reviewed and approved by the Board on March 23, 2022.

**Board of Yixin Group Limited**

March 23, 2022

## ESG GOVERNANCE AND MATERIALITY ANALYSIS

While creating economic value for the society and shareholders, the Group is committed to establishing and enhancing a business system which covers consumers, automakers, auto dealers, auto financing partners and aftermarket service providers by leveraging our online financial automobile transaction platform, in order to facilitate transactions that may arise throughout automobile consumer trading cycle and life cycle of the automobiles.

We have continuously enhanced the ESG management system of the Group by establishing an ESG management mechanism featuring “supervision by the Board, implementation by the management and inter-departmental linkage”. In July 2018, we established an ESG Committee comprising three ESG members, which is chaired by Mr. Andy Xuan Zhang, an Executive Director, the Chief Executive Officer and the Chairman of the Board. The primary responsibilities of the ESG Committee include reviewing and monitoring the ESG policies and practices of the Group to ensure compliance with relevant laws and regulatory requirements, monitoring and responding to new ESG related issues, and providing recommendations to the Board as and when necessary so as to improve the ESG performance of the Group.

The relevant heads of the departments of the Group have formed an ESG Working Group, which is primarily responsible for the implementation of ESG related work of the Group. We have further segregated and specified the responsibilities of each department in ESG management during this year. Based on the compliance with the requirements of the ESG Reporting Guide, we continued to enhance our ESG management level in combination with our business development strategies, and improved our ESG management organizational structure.

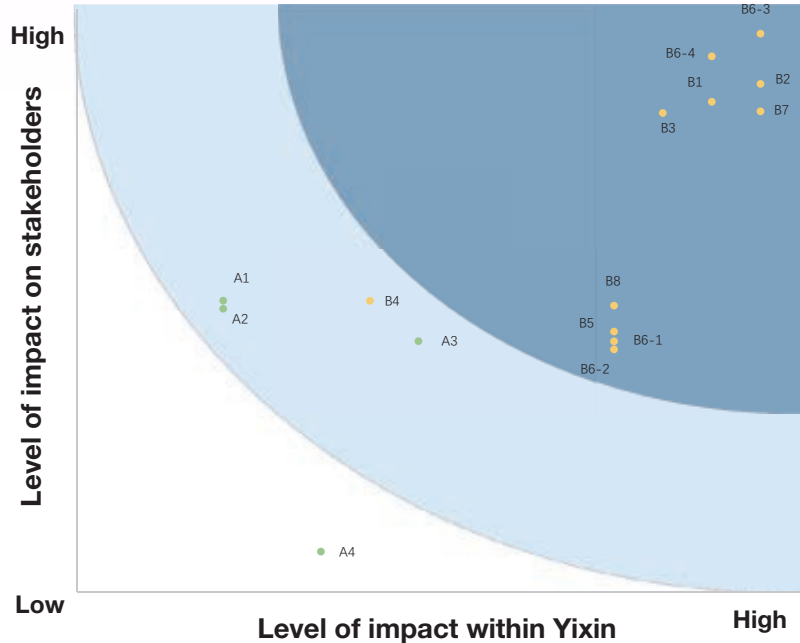


We acknowledge the importance of feedback on our ESG performance from stakeholders (including our shareholders and investors, government and regulatory authorities, our employees, suppliers, customers, business partners, the community and the public). Therefore, we have established effective communication channels for stakeholders and actively solicit their relevant feedback. The key stakeholders and their communication channels include but are not limited to:

#### Summary of major communication channels and issues of concern of stakeholders of the Group

Key stakeholders	Major communication channels	Key issues of concern
<b>Government and regulatory authorities</b>	Major meetings, policy consultations, incident reports, institutional inspections, information disclosure, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Compliance operation</li> <li>• Corporate governance</li> <li>• Environmental management</li> <li>• Climate change</li> </ul>
<b>Shareholders and investors</b>	Investor seminars, corporate announcements and circulars, investor relations columns on our official website, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Operation strategy</li> <li>• Information disclosure transparency</li> </ul>
<b>Employees</b>	Meetings, employee activities, social media, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Employee compensation and benefits</li> <li>• Development and training opportunities</li> <li>• Healthy work environment</li> </ul>
<b>Suppliers and partners</b>	Phone calls, meetings, emails, on-site inspections, strategic cooperation, exchanges and interactions, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Cooperation on fair terms</li> <li>• Integrity</li> <li>• Co-growth</li> </ul>
<b>News Media</b>	Results announcements, press releases, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Community investment</li> <li>• Customer Service</li> </ul>
<b>Customers</b>	Customer complaint hotline, customer service center, questionnaires, etc.	<ul style="list-style-type: none"> <li>• Service quality</li> <li>• Privacy protection</li> </ul>
<b>Community and public</b>	Charitable activities, community interactions, corporate recruitment seminars, etc.	<ul style="list-style-type: none"> <li>• Community relations</li> <li>• Employment promotion</li> <li>• Community investment and charitable activities</li> </ul>

In 2021, the Company maintained continuous communication with stakeholders through a variety of means such as questionnaire surveys on substantive issues to understand the views and suggestions of stakeholders on environment, society, governance and other matters. In particular, in line with the our own strategies and operation priorities, the Company conducted a substantive analysis on the 12 aspects of ESG issues listed in the ESG Reporting Guide, the results of which were as follows:



The Company identified topics of high importance, namely, “B6-3 Product Responsibility-Information Security”, “B6-4 Product Responsibility-Compliance Operations”, “B2 Health and Safety”, “B1 Employment”, “B7 Anti-Corruption-Industry Compliance”, “B3 Development and Training”, “B8 Community Investment”, “B5 Supply Chain Management”, “B6-1 Product Responsibility-Brand and Intellectual Property” and “B6-2 Product Responsibility-Customer Service”; topics of medium importance include “A2 Use of Resources”, “A1 Emissions”, “B4 Labor Standards” and “A3 Environment and Natural Resources”; related topics include “A4 Climate Change”. The Company will elaborate on the above topics in each section of this report.

## PRODUCT LIABILITY

Yixin Group has always been committed to providing consumers with more convenient, safer and efficient automobile financing services. We strictly abide by the “Law on the Protection of Consumer Rights and Interests of the PRC”, the “E-commerce Law of the PRC” and other laws and regulations, implement industry regulatory documents such as the “Administrative Measures for Automobile Finance Companies” and the “Administrative Measures on Automobile Financing”, continuously improve the quality of our products and services, fulfill the requirements for compliant operations, protect the legitimate rights and interests of our users and safeguard the public interest so as to promote the healthy development of the industry.

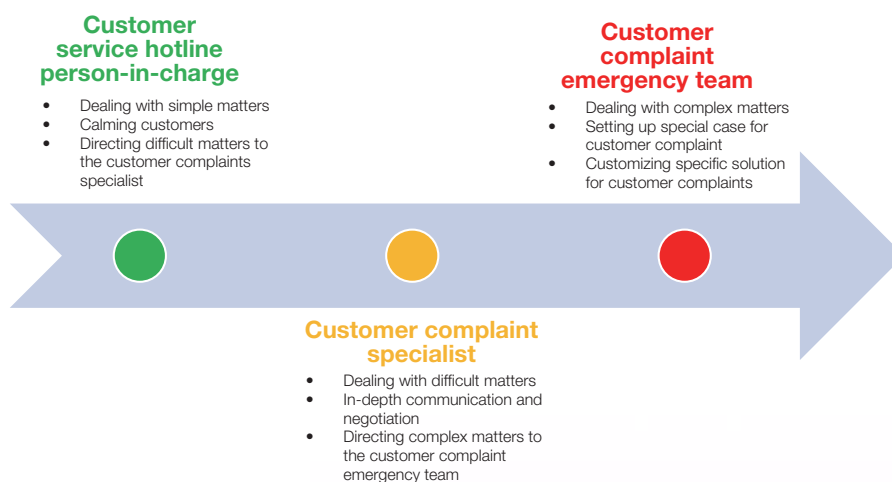
### Improving customer service

Consumers’ rights and interests are always our core concern. Based on the implementation of the relevant measures in the “Customer Service Management System”, we continue to optimize the handling of customer complaints, strengthen the supervision of customer service quality and innovate our service model to provide customers with better quality and more convenient services.

### Handling customer complaints

The Company is constantly improving its customer complaint handling process to enhance the efficiency and quality of complaint handling. We provide a variety of complaint channels, including internal customer complaint channels such as customer service hotline, offline feedback from branches and partners, and WeChat self-service; as well as external customer complaint channels primarily through the “Black Cat” platform. At the same time, we have formulated the “Complaint Management Process” to standardize the treatment of customer complaints in order to assure the timeliness, effectiveness and standardization in the handling of customer complaints.

In 2021, we further improved our customer complaint handling mechanism. For internal cases, we have established a three-tier customer complaint handling process, whereby cases are forwarded to the customer service hotline person-in-charge, customer complaint specialist and customer complaint emergency team depending on their complexity. Cases received through the external customer complaint platform “Black Cat” are directed to the customer complaint emergency team to improve the processing efficiency and customer service satisfaction.



#### ▲ Three-tier customer complaint handling process

We continue to follow up, analyze and review the customer complaint instances that have been processed to ensure that the customers’ complaints are properly resolved. In 2021, 409 cases were directed to the external customer complaint platform “Black Cat”, with a 100% response rate. 57 cases were escalated to the emergency team via the Company’s internal channels. To continuously improve the quality of our services, we conduct telephone interview in relation to customer messages on platforms such as Yixin Auto Owner Services and WeChat Official Account to answer their inquiries and resolve their issues. In 2021, a total of 204,208 customers were involved in our satisfaction assessment and a satisfaction rate of 99.71% was recorded.

### Improving service quality

To better serve our customers, we are always improving our service quality supervision. We use AI recognition functions to detect the performance of our customer service personnel in terms of standard discourse and service taboos to enhance the level of refinement in service quality supervision. At the same time, we use manual review to ensure the accuracy of the test results to maximize the quality of our services. The nature of the Group’s business does not involve products sold or shipped that are subject to recalls for safety and health reasons.

We continue to improve our service model and customer service experience. In 2021, we provided customers with more diversified and user-friendly transaction solutions through Yixin Asset Management System, allowing customers to complete account enquiries and online repayments on their own via WeChat Official Account. We also provided virtual sub-account repayment for customers located in remote areas where it is difficult to make card payments, thus achieving the double benefits of customer service convenience and efficient transaction operations.

Furthermore, during the pandemic, we actively reacted to the national call and provided assistance to customers with overdue payments as a result of the pandemic by correctly adjusting their overdue credit records, so as to protect customers’ interests from loss due to force majeure.

*Year-end consumer reward event narrows the gap between customers and Yixin*

To thank consumers for their support and love, the Company launched a “Celebrate New Year’s Day, Leave a Message and Get a Gift” event on December 30, 2021 to interact with WeChat users. Through such event, we were able to maintain and improve our relationship with customers and received lots of good feedback for our growth and development, helping us further improve our service quality.



▲ “Celebrate New Year’s Day, Leave a Message and Get a Gift” event

## Protecting rights and interests of consumers

To protect the legitimate rights and interests of consumers, the Company actively publicizes anti-fraud knowledge both online and offline. For online promotion, we effectively publicize anti-fraud knowledge through WeChat official account, official website, online media, SMS push and others to assist consumers to detect fraudulent practices and stay alert to fraudulent information. For offline promotion, we continue to carry out promotion activities and sign anti-fraud letters with car owners. Through a combination of online and offline methods, we comprehensively enhance anti-fraud awareness of consumers.



### ▲Anti-fraud promotion

In 2021, the Company adopted a series of methods to protect the consumers' interests against deception by means of phone scams, bogus websites, etc. We help customers accurately identify official contact channels by top-allocating headers, optimizing the present effect of official website links, increasing information advertisement, as well as highlighting Yixin official customer service hotline on key platforms such as Baidu, WeChat and TouTiao. In August 2021, we officially certified the Yixin customer service hotline on the Baidu search engine. At the same time, we regularly arrange dedicated staff to check for fraudulent links on the above platforms. Once found, we proactively contact the platforms and the police to report fraudulent information, reducing the risks of customers being defrauded and protecting customers from being misled by false information.

Meanwhile, we continue to intensify our prevention and combat efforts and cooperate with the police to combat various fraudulent and criminal acts against our customers and companies. We have successfully assisted the police in solving a number of criminal cases involving auto finance fraud, forgery of state documents and seals, and concealment of criminal proceeds. While minimizing economic losses of the Company, we have effectively deterred crime and contributed to the healthy growth of the car financing industry.

In 2021, around May 19, the Credit Day, the Company collaborated with the credit department to publish posters and articles on protecting personal credit and warning against credit fraud, reminding consumers to pay attention to the protection of personal information and to be wary of swindlers using personal credit information to commit fraud.

## 一图读懂 个人信用报告

现如今个人信用越来越受到人们的关注，个人信用报告也被广泛地应用于各个领域。信用卡审批需要它、贷款需要它，它可说是人们的“经济身份证”。

### 信用报告是什么？

个人信用报告记录个人借款还款、合同履行、遵纪守法等信息，是个人信用历史的客观记录，是人们的“经济身份证”。主要包含七个方面的内容。

- 01 个人基本信息**  
识别个人身份的信息，如国籍、姓名、证件类型、证件号码、婚姻状况、居住信息、职业信息、联系电话等。
- 02 信息概要**  
概要描述个人信息构成、逾期及违约情况、获得授信及负债情况。
- 03 信贷交易信息明细**  
逐笔详细描述个人的信贷交易信息（如贷款、信用卡、担保信息等），反映信息主体借钱和还钱的历史。
- 04 公共信息明细**  
展示与信息主体个人有关的行政处罚与奖励信息、法院失信被执行人信息等公共信息。
- 05 本人声明**  
个人对本人信用报告中有关事项的解释。
- 06 异议标注**  
标注个人对本人信用报告中提出异议的信息。
- 07 查询记录**  
详细记录过去2年内，何人何时因为什么原因查询过信息主体的个人信用报告。

## 去哪查个人信用报告？

### 线上

**方法一**  
通过中国人民银行征信中心官网  
[www.pbccrc.org.cn](http://www.pbccrc.org.cn)



**步骤一**  
用户实名注册，填写姓名、证件号码、证件类型。

**步骤二**  
在线身份验证

**步骤三**  
提交查询申请

**划重点：**一般会在第二天获得短信通知，可登录网站进行用户激活，查看信用报告。

**方法二**  
通过个人征信APP

**方法三**  
中国人民银行征信中心授权的部分商业银行网银和手机银行app

开通个人信用报告自助查询的银行：  
工商银行、中国银行、建设银行、邮储银行、交通银行、招商银行、中信银行、光大银行、广发银行、浦发银行、平安银行

### 线下

**方法一**  
中国人民银行各地分支机构柜台、自助查询机查询

**方法二**  
中国人民银行征信中心授权的部分商业银行网点智能柜员机查询  
(工商银行、建设银行、招商银行部分试点网点)

**划重点：**线下渠道查询需提供本人有效身份证件

## “征信洗白”“逾期铲单”都是真的吗，征信真的能洗白吗？

所谓的征信洗白、逾期铲单，谎称花费几百甚至几千不等的价格，可以将各类不良信用记录“清除”，这些骗局，千万别相信。人民银行征信系统的数据修改、删除都由业务发生银行发起，需要经过严格的审批及操作流程，征信系统会全程自动记录操作流程。

**收到这样的短信要小心 大多数是骗子挖的“坑”**

尊敬的用户：  
您尾号\*\*\*的信用卡因未及时还款，已被系统列入失信黑名单，详情请咨询客服012-1234567。

**接到这样的电话要谨慎 这又是骗子挖的另一个“坑”**

您好，我是\*\*贷款平台的工作人员小林，根据国家规定，您之前注册的\*\*网贷需要注销，否则会影响个人征信……

## 如果认为信用报告中记录有错误、遗漏的，如何提出异议申请？

本人可向中国人民银行征信中心、金融机构（即信息提供者）或个人征信机构提出异议申请。上述机构在收到异议之日起的20日内进行核查和处理，经核查后，确认信息有误或遗漏的，予以更正。

## 如何维护好信用记录？

**提醒您“珍爱信用记录，享受幸福人生”！**

申请信贷业务，综合考虑自身收入和负债情况量力而行，切勿过度负债！

获得贷款或使用信用卡后，一定按时足额还款不要逾期！

关心自己的信用记录，定期查询，防止发生未经授权查询，防范个人信息泄露！

保管好个人身份证件，身份证件复印件应注明用途。

保管好个人信用报告，不随意丢弃信用报告，不要轻易把信用报告提供给其他商业机构。

在公共网络查询、保存信用报告后要及时删除。

**易鑫集团 YIXIN GROUP**



## Optimizing risk management and control

We have established a risk management system to identify and assess the risks associated with our operations through the multi-level management and control system among the audit committee, internal audit department and business functional departments, and formulated corresponding management and control measures to effectively guarantee the stable and compliant operation of the Company. At the same time, we closely monitor the changes in national legislation, update relevant systems in a timely manner, optimize and adjust our business model to guarantee the Company's compliance with the PRC laws and regulations.

We also attach great importance to the compliance in carrying out businesses with partners. To regulate the operation of partners, including promotion, collection of fees, receipt of goods, collection of repayment and complaint handling, the "Rules on Management of Partners" have been formulated, which stipulate the relevant requirements, prohibitions and penalties in the course of business development with partners.

### *Internal Control and Compliance Promotion Month enhances the compliance awareness of employees*

To enhance the legal literacy and compliance awareness of employees, the "Internal Control and Compliance Promotion Month" event is held annually to conduct special training on the latest national and industry regulations and policies. In August 2021, the Company hired legal experts, administrative and law enforcement experts and internal experts to hold four special training seminars on "anti-fraud", "data security", "monitoring and compliance" and "internal compliance". At the same time, we promoted compliance awareness through diverse channels such as animation display in the elevator and Yixin University. In 2021, a total of 2,425 employees participated in the "Internal Control and Compliance Promotion Month" event.



▲ Compliance and Internal Control Promotion Month Seminar

## Protecting intellectual property

Intellectual property is one of the core competitive strengths of an enterprise. We emphasize the importance of respecting and protecting intellectual property rights and focus on its application and layout. The Company protects its intellectual property rights in accordance with the "Advertising Law of the PRC", the "Interim Measures for Administration of Online Advertising", the "Trademark Law of the PRC", the "Copyright Law of the PRC" and the "Patent Law of the PRC" and other relevant laws and regulations. We strictly review the contents released to the public by the Company in compliance with the "Advertisement Compliance Management System of Yixin Group" to ensure the authenticity and legality. In addition, we carry out internal risk education on advertisement and font compliance to raise the awareness on intellectual property risks among employees.

In order to continuously and effectively protect the Company's intellectual property rights, we conduct screening and monitoring through external websites such as the Trademark Office website, actively initiate a number of applications for intellectual property rights such as trademark rights and copyrights, and rely on legal channels to proactively safeguard the Company's intellectual property rights. In 2021, the Company obtained 40 new trademark rights, 2 software copyrights and 1 artwork copyright. Besides, the Company successfully renewed 1 trademark rights and protected 1 trademark rights of the Group against a third-party registration application. Our effective action in the protection of intellectual property rights has provided a favorable guarantee for the Company's business development and smooth operation.

### **Safeguarding information security**

Information security and privacy protection for the Company and users are of paramount importance to us. We strictly abide by the "Cyber Security Law of the PRC", the "Data Security Law of the PRC", the "Personal Information Protection Law of the PRC", the "Information Security Technology – Personal Information Security Specification" and other laws and regulations, continue to strengthen the internal management and control of information security, improve the level of information protection technology, enhance internal training, and effectively protect the legitimate rights and interests of the Company and users in privacy and information security.

The Company has established an information security management system, covering multiple dimensions such as "security management policy strategy", "security management organization", "personnel security management", "information system construction security management", "information system operation and maintenance security management" and "information system data security management", to comprehensively standardize the Company's information security standards. Through the annual protection evaluation and internal review, we continue to improve the information security management system to ensure that it meets national laws and regulations and the Company's own security needs. In 2021, we comprehensively rationalized and optimized the systems and measures for products, technologies, agreements, and partner management, and protected the data and privacy security of the Company and users in various aspects such as the legality of users' access to information, compliance of use, reliability of transmission, and security of data preservation. At the same time, in order to standardize the security control of the Company's application system in the stage of design and development and ensure that the application system meets the requirements of information security standards, we have formulated the "Development Security Management System", the "Data Security Management Measures", the "Application Security Implementation Security Regulations" and other rules and regulations to further control the security risks of the application system and reduce the possibility of being hacked or attacked.

We continue to enhance technological means for information protection, and adopt various technological means to protect data security throughout the collection and processing of personal information, including HTTPS encryption transmission for network transmission, front-end page desensitization treatment, front-end page watermark traceability, database encryption storage, etc. In 2021, we changed the personal information collection and use authorization letter, standardized the channel, scope, cancellation or change of the information collection authorization, further protected the customer's right to know about information collection, and enhanced the ability to protect personal information security.

We continue to carry out employee information security trainings. In 2021, we conducted special security training for core technical personnel and supervisors on data security issues, including data security classification and grading, common sensitive data, data security use methods and data security red line behaviors, etc., which improved the technical personnel's skills and awareness of data security. At the same time, we have increased the security awareness training for new employees to prevent the occurrence of information security incidents.



▲ Special training on information security for technical personnel

### Facilitating industry development

The Company is committed to promoting healthy and compliant development of the industry. Following the issuance of the “Guidelines on Regulatory Compliance for Automobile Finance” jointly with the Legal Daily and the China Institute of Corporate Legal Affairs in 2020, in 2021, we again worked with the institute to issue a new version of the “Guidelines on Regulatory Compliance for Automobile Finance”, providing concrete and standardized opinions and suggestions for the healthy and sustainable operation of the automobile finance industry.

To support the education of national automobile finance professionals, we have enrolled in the China Automobile Finance Industry-Education Integration Education Public Welfare Project to build our talent pool in the industry. At the same time, we actively participate in the training on the “Personal Information Protection Law of the PRC” organized by the China Federation of Internet Societies to help improve the legal awareness of the enterprises and the legal literacy of fellow professionals, and promote the sustainable and healthy development of the industry.

*Proactive industry exchange to jointly respond to climate change and double carbon strategy*

Facing the challenges of global climate change and the proposal of the national double carbon goals, the Company proactively carried out industry research and exchange. In July 2021, the Company, as a strategic partner, fully supported the “2021 China Second-hand Car Conference” to fully communicate with peers on issues such as the operation difficulties and innovative measures of second-hand car operation, and jointly seek the path of green and low-carbon transformation, so as to promote the high-quality and sustainable development of the industry.



▲ 2021 China Second-hand Car Conference

While creating value for customers and promoting industry development on an ongoing basis, we are also well recognized by the industry and the society. In 2021, the Company won the following awards:

- In January 2021, the Company won the “Best New Economy Company” at the Fifth Golden Hong Kong Stock Award organized by [www.zhitongcaijing.com](http://www.zhitongcaijing.com) (智通財經) and [www.10jqka.com.cn](http://www.10jqka.com.cn) (同花順財經)
- In March 2021, the Company won the “2020 Fifth Times Finance Golden Orange Awards – Best Application Scenario Award” organized by The Time Weekly
- In April 2021, the Company won the “2020 China Automobile Finance Service Platform” at the Fourteenth Golden Cicada Award organized by China Times
- In July 2021, the Company won the “2021 Outstanding Competitive Hong Kong Listed Companies” organized by China Business Journal and Zhijin Weilai (智金未來)
- In September 2021, the Company won the “2021 China Automobile Finance Service Satisfaction Ranking – Most Satisfied Financial Leasing Company by Consumers” organized by China Automobile Dealers Association
- In September 2021, the Company won the “HRTechChina – China Human Resources Technology Enterprise Award (Practice Award)” and the “2021 China Human Resources Technology Enterprise Award (Team Award)”
- In September 2021, the Company won the “2021 Best Human Resources Management Project” at the Flag Awards organized by HRflag
- In October 2021, the Company won the “Best Automobile Finance Leasing Company for the Year 2021” at the China Automobile “Gold Engine” Award organized by 21st Century Business Herald and China Auto Finance

- In November 2021, the Company won the “NBD 2021 Most Competitive Automobile Finance Trading Platform” at the Thirteenth NBD Awards organized by National Business Daily
- In November 2021, the Company won the “Top 100 Brands of the Year” and “2021 Excellent Brand Power Automobile Finance Trading Platform” organized by The Economic Observer
- In December 2021, the Company won the “Top 100 Growth Listed Companies for the Year 2021” organized by Xueqiu
- In December 2021, the Company won the “Excellent Institution Award – Automobile Financial Service Platform of the Year” at the 2021 Excellent Finance Awards organized by www.jiemian.com
- In December 2021, the Company won the “Best Listed Company in Greater China – Most Innovative Company Award for the Year 2021” organized by Gelonghui

## CARING FOR EMPLOYEES

The Company places high value on talent protection and development and pursues to become an enterprise to which first-class talents aspire. We continue to create a comfortable and harmonious workplace, effectively protect the rights and interests of employees, care for the health and safety of employees, actively carry out employee training and help employees improve their capabilities, striving to build an outstanding team featuring diversification, inclusiveness and unity in the field of online automobile finance transactions.

### Employee’s employment and rights

The Company is committed to creating a fair, unbiased, equal and diversified recruitment and working environment. We are in strict compliance with the “Labor Law of the PRC”, the “Labor Contract Law of the PRC” and other laws and regulations and have formulated the “Recruitment Management Measures”, the “Induction Management Measures” and other regulations and systems, to ensure the institutionalization, standardization and routinization of human resources management and protect the basic rights and interests of every employee. We treat all candidates and employees equally, actively protect their basic rights and interests, and resolutely oppose any discrimination on gender, ethnicity, race, religious belief, etc.

In terms of employee recruitment, the Company recruits talents who are in line with the Company’s development direction and value philosophy mainly through internal application, online recruitment and staff referral. In accordance with the laws and regulations applicable to our employment practices, the Provisions on the Prohibition of Using Child Labor and the Law of the PRC on the Protection of Minors, we strictly review the personal information of candidates, and use the automatic identification of the age information on the identity card in the recruitment system to automatically screen out those who do not meet the age requirement under the national regulations. We resolutely eliminate child labor and forced labor. Once found, such employment will be immediately terminated in accordance with relevant laws and regulations. There were no incidents of child labor or forced labor during the year.

In terms of working hours and leaves, we strictly abide by the relevant laws and regulations, and specify the basic working hours and leave entitlements of employees in the employment contracts. In order to help employees maintain work-life balance, we have adopted measures such as personalized flexible working system and employee leave plan reminders to improve the employees’ sense of well-being.

In terms of employee resignation, we strictly abide by the relevant national laws and regulations, clarify the employment period and termination conditions in the labor contracts and deal with employee resignation matters accordingly, help resigned employees complete corresponding procedures in accordance with the company process, and protect the legitimate rights and interests of resigned employees.

*Key performance indicators related to employee employment*

Indicator	2021	
	Number of employees (person)	Percentage (%)
Total number of employees (person)	4,980	
Number of employees by gender		
Male employees	3,321	66.67
Female employees	1,659	33.33
Number of employees by age		
30 years old and below	1,919	42.84
31-50 years old	3,040	56.99
Over 50 years old	21	0.17
Number of employees by region		
Number of employees in East China	1,749	35.12
Number of employees in South China	445	8.93
Number of employees in North China	716	14.37
Number of employees in Central China	652	13.09
Number of employees in Northeast China	446	8.95
Number of employees in Southwest China	656	13.17
Number of employees in Northwest China	316	6.3
Number of employees by employment category		
Number of full-time contract employees	4,980	
Number of interns	0	

*Key Performance Indicators Related to Employee Turnover<sup>1</sup>*

Indicator	2021
Total employee turnover rate	14.37%
Employee turnover rate by gender	
Male employees	13.59%
Female employees	15.89%
Employee turnover rate by age	
30 years old and below	14.54%
31-50 years old	14.25%
Over 50 years old	13.33%
Employee turnover rate by region	
Employee turnover rate in East China	18.32%
Employee turnover rate in Southern China	9.45%
Employee turnover rate in North China	16.11%
Employee turnover rate in Central China	9.73%
Employee turnover rate in Northeast China	9.31%
Employee turnover rate in Southwest China	13.31%
Employee turnover rate in Northwest China	13.98%

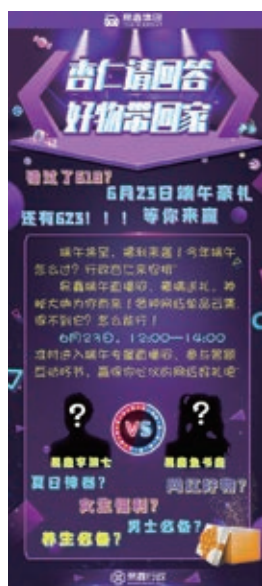
<sup>1</sup> The total number of employee turnover refers to the number of employees who voluntarily resigned in the current year, excluding employees who resigned during the probationary period. The method of computation for turnover rate is: total number of turnovers x 2 / (total number of employees at the beginning of 2021 + total number of employees at the end of 2021).

## Employee benefits and care

The Company strictly complies with the requirements of the Labor Law and the Labor Contract Law of the PRC, and provides employees with competitive remuneration in the industry. At the same time, the Company provides employees with a basic welfare system based on national laws and regulations and market practices, and provides additional benefits in accordance with the “Administrative Measures for Employee Subsidies”, including but not limited to meal allowance, transportation allowance, travel allowance and communication allowance applicable to all employees of the Group.

The Company provides employees with a convenient, comfortable and personalized office environment. The office buildings are equipped with basic facilities such as pantry and telephone booths, as well as welfare facilities such as massage rooms, maternity rooms, shower rooms and employee activity rooms. In order to care for the health of employees, in 2021, the Company collaborated with service providers to set up breakfast cabinets on each floor of the office building to conveniently serve employees with food. At the same time, in order to provide employees with a more affordable dining experience, the Company cooperates with surrounding caterers to offer employees with dining discounts where employees can enjoy meals at a lower price than the market price by using staff card.

In addition to a high-quality and convenient office environment, the Company provides employees with a variety of healthy and caring after work activities to promote their physical and mental health, including induction celebrations, various sports matches, corporate celebrations, Mid-Autumn Festival sales, Christmas parties and employee birthday parties, enriching the lives of employees outside the office.



▲ Online “live streaming promotion” during Dragon Boat Festival

## Employee training and development

We regard employees’ talents as an important asset of the Company, and strive to create favorable conditions for employees to excel themselves and their business capabilities. The Company has formulated rules and regulations such as the “Administrative Measures for Transfer” and the “Administrative Measures for Daily Promotion” to standardize the promotion and transfer process of employees and promote the reasonable flow of outstanding talents. At the same time, we have implemented job rotation for certain positions to improve multi-module work capabilities of employees and explore the potential of the corporate management positions and key professionals.

In terms of employee training, our training system focuses on two aspects, namely “application skills” and “employee experiences”. The training program comprehensively takes into account the actual business needs, career development and company expectations of employees in different positions, striving to create a training model suitable for each employee from the perspectives of learning approaches, training effect and after-school training. At the same time, we have been seeking for breakthroughs and innovations, as well as exploring effective online and offline training models to enable employees to participate and gain experience in different degrees throughout the whole training process.

In 2021, the Company fully utilized the talent review mechanism, comprehensively integrated the results of employee performance evaluation and job competency model evaluation, etc., to help employees explore their own potential, recognize their own changes, and find the right path of growth. At the same time, we have formed a visual talent review result by implementing a talent profile system. The talent profile system updates employees’ previous learning courses, career growth track, rewards and penalties and job changes on a real time basis, providing employees with comprehensive suggestions for improvement and development based on their talent profile.



▲ Talent profile system

In order to encourage employees to learn independently and improve their personal capabilities, the Company has established an online training platform “Yixin University”, which is open to all employees and integrates 4,201 online courses, including business knowledge, office skills, health and pandemic prevention, safety education, etc., and provides learning materials to employees through video, PPT, images, texts and other forms. The training hours of employees at “Yixin University” can be recorded in the talent profile and exchanged for rewards and gifts, so as to encourage employees to learn actively and grow continuously.

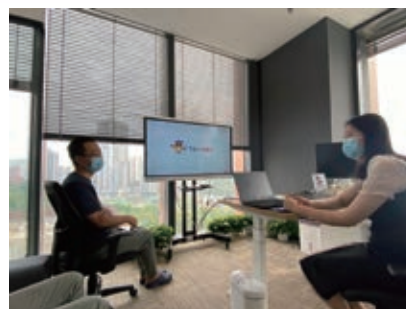


▲ Pandemic Prevention Propaganda of Yixin University



### Fountainhead Plan improves talent pool

In order to enhance the Company's talent pool, the Company launched the "Fountainhead Plan" in 2021, aiming to recruit outstanding college students as interns and to include them into the Company's reserve talent pool for specific training. The "Fountainhead Plan" is piloted by the technical team, with 21 college students recruited in the first phase. The Company has devised a detailed training program for them, and selected excellent internal employees as tutors to carry out targeted training. Interns who meet the Company's development plans and quality requirements are offered with opportunities to become full-time employees upon graduation.



▲ "Fountainhead Plan" talent development of the Company

### Key Performance Indicator Related to Employee Trainings

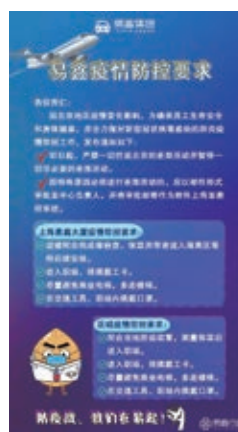
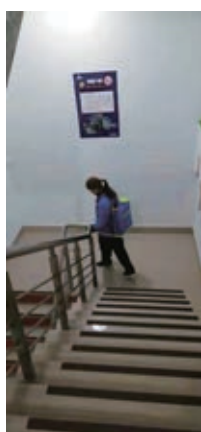
Indicator	2021	
	Numbers of individuals (Individuals)	Training rate (%)
Total number of employees trained	4,337	
Number of employees trained by gender		
Male employees	2,880	92
Female employees	1,457	91
Number of employees trained by ranking		
Senior management	22	85
Middle-level management	67	94
Entry level employees	4,248	90

Indicator	2021	
	Training hours (hours/person)	
Average training hours of employees		21.23
Training hours of employees by gender		
Male employees		23.1
Female employees		19.3
Training hours of employees by ranking		
Senior management		0.7
Middle-level management		1.1
Entry level employees		21.3

### Health and safety of employees

We always abide by the “Labor Law of the PRC” and the “Regulations on Work-related Injury Insurances”, placing the health and safety of employees as the fundamental premise of our operation. We take various health protection measures including induction check-up and annual check-up for employees to provide them with a healthy and safe workplace.

In 2021, the Company regarded pandemic prevention and security measures as routine safety matters, strengthened the disinfection and cleaning of the office environment in daily operations, regularly release pandemic prevention publicity announcements, updated pandemic prevention related bulletins on the administrative official account every week, and regularly distributed free antiseptics, hand sanitizers and other cleaning supplies to employees. The Company has in place an online reservation system at Yixin Building to strictly control external visitors and installed infrared temperature detectors at the entrance of the building to monitor the temperature of people accessing the building in real time. We implemented strict crowd control in lifts to prevent crowd gathering. We introduced flexible working options to effectively reduce the proportion of employee gathering. We actively called on and organized employees to get vaccinated at the vaccination points in the community to effectively prevent and control the pandemic and ensure the safety of employees in the workplace.



▲Daily disinfection in the Company

▲Announcement on business travel tips during pandemic

Key performance indicators related to work-related injuries and fatalities

Primary indicators	Secondary indicators	Unit	2021
Number and rate of work-related fatalities in the past three years (including the reporting year)	Number of work-related fatalities in 2019	Person	0
	Number of work-related fatalities in 2020	Person	0
	Number of work-related fatalities in 2021	Person	0
Lost days due to work-related injury	Number of work-related injuries in 2021	Case	0
	Lost days due to work-related injuries in 2021	Day	0

## GREEN OPERATION

The Company is aware of the environmental and climate change risks against its business operations and recognizes the significance of harmonious cohabitation with the environment, and therefore actively identifies the challenges and opportunities brought by climate change to the Company's operations. We have strictly complied with the "Environmental Protection Law of the PRC", the "Energy Conservation Law of the PRC" and other laws and regulations, and formulated management systems such as the "Office Power Usage Management System" and the "Administrative Measures for Yixin Building". We actively promote energy conservation and environmental protection measures, encourage employees to develop the daily habits in terms of energy saving, environmental protection and low-carbon emission, practice the concept of sustainable development, and pursue green operation goals.

### Responding to climate change

We recognize that climate change brings many risks and opportunities to our business and operations, and actively respond to the concerns of government, customers, investors, market and other stakeholders. We make reference to the suggestions from the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), continuously improve risk management based on the identification results, and formulate relevant counter-measures in low-carbon operations, response to climate change and natural disasters, and support for the development of clean sources.

*Climate Change Management System – Four core elements of TCFD's recommendations*

<b>Governance</b>	<p>An ESG Committee is set up under the Board and chaired by the chairman, who is responsible for reviewing and supervising the ESG policies (including responding to climate change) of the Group and formulating response strategies;</p> <p>An ESG Working Group is set up under the ESG Committee, which is responsible for implementing the ESG related work of the Group.</p>
<b>Strategy</b>	Analyze the risks and opportunities brought about by climate change based on climate change scenarios, and assess the impact thereof.
<b>Risk management</b>	Identify the risks and opportunities related to climate change, as well as countermeasures with reference to domestic and international climate change information and TCFD's risk analysis framework.
<b>Indicator and goal</b>	<p>In 2021, we have set energy saving and emission reduction targets for the Group's premises, which are disclosed in the section headed "Environmental Targets" below.</p> <p>Please also refer to the section headed "Environmental Performance" below for the data of greenhouse gas emissions.</p>

*Climate change risk management*

We have identified climate change-related risks as the key focus of our risk management system and re-identified and evaluated them annually. By conducting policy research, peer benchmarking, making reference to expert opinions, domestic and foreign climate change information and TCFD risk analysis framework, we have identified climate change risks and opportunities that are closely related to the Company's operation and development, and assessed their financial impact on the Company, so that we can formulate and implement various relevant counter-measures.

**Climate change risks, potential financial impacts and counter-measures**

Types	Description of risks	Potential financial impact	Counter-measures
<b>Transformation risk</b>	<p>Reputational risk:</p> <p>Stakeholders expect the Company to take active management actions in response to climate action and improve the transparency of information disclosure. If the Company fails to respond well to these demands, it may have an impact on its reputation.</p>	<ul style="list-style-type: none"> <li>• Decrease in operating income</li> <li>• Increase in staff recruitment and retention costs</li> </ul>	<ul style="list-style-type: none"> <li>• Take responses to climate change as a key issue and communicate with stakeholders through ESG reports and other channels</li> <li>• Pay attention to market atmosphere and public opinions</li> </ul>
	<p>Policy and regulatory risks:</p> <p>The government has rolled out policies and regulations to regulate climate change, such as greenhouse gas emission charges, and enhanced emission reporting obligations.</p>	<ul style="list-style-type: none"> <li>• Increase in operating and compliance costs</li> <li>• Increase in costs as a result of possible fines and judgments</li> </ul>	<ul style="list-style-type: none"> <li>• Pay attention to the latest developments in domestic and foreign policies and regulations, and deploy internal resources to respond to changes promptly</li> <li>• Actively maintain contact with local governments</li> </ul>
	<p>Market risk:</p> <p>Changes in consumer behavior in the market, such as increased demand for new energy vehicles. If the Company fails to provide corresponding products/services in time, the demand from customers will be reduced.</p>	<ul style="list-style-type: none"> <li>• Loss of customers, thus reducing operating income</li> </ul>	<ul style="list-style-type: none"> <li>• Promote business innovation and timely launch products that meet market needs to attract and retain customers</li> </ul>

Types	Description of risks	Potential financial impact	Counter-measures
Physical risk	<p>Acute risk:</p> <p>Extreme weather events caused by climate change, such as typhoons, earthquakes, and tsunamis, which affect offline operations, employee safety and asset safety, etc.</p>	<ul style="list-style-type: none"> <li>• Depreciation of fixed assets and decrease in operating income</li> </ul>	<ul style="list-style-type: none"> <li>• In response to extreme weather such as high temperature and typhoon, announcements are sent to all employees to remind them to pay attention to travel safety</li> <li>• Issue extreme weather alerts in a timely manner</li> <li>• Take measures such as flexible attendance and work from home arrangements based on the actual impact of extreme weather conditions such as typhoons on staff commute.</li> <li>• Regularly inspect, strengthen or repair the building facade and associated external features</li> <li>• Future alterations or renovations to the office building shall take into account extreme climate change</li> </ul>
	<p>Chronic risks:</p> <ul style="list-style-type: none"> <li>• Extreme changes in precipitation and climate patterns</li> <li>• Global warming</li> <li>• Rise in sea level, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in energy consumption brought about from fighting against global climate change, such as the use of power for air-conditioning, causing an increase in operating costs</li> </ul>	

## Climate change opportunities, potential financial impacts and counter-measures

Types	Description of opportunities	Potential financial impact	Counter-measures
<b>Resource efficiency</b>	Improve the efficiency of resource use and reduce the use of resources, including power, fuel oil and water resources, etc.	<ul style="list-style-type: none"> <li>• Reduce operating costs</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously monitor the use of various resources and take timely improvement measures to reduce greenhouse gas emissions</li> <li>• Formulate the “Administrative Measures for Buildings”, requiring that electrical appliances be turned off when not in use to reduce energy consumption</li> </ul>
<b>Energy source</b>	Increase the use of low-emission equipment in operational activities.	<ul style="list-style-type: none"> <li>• Reduce the risk of rising energy prices, thus reducing operating costs</li> </ul>	<ul style="list-style-type: none"> <li>• Use a full heat exchange fresh air system in the office building to recycle part of the heat energy and reduce energy consumption</li> </ul>
<b>Market/Products and services</b>	The state and the government have introduced preferential subsidy policies for new energy vehicles, infrastructure construction measures, etc., which are conducive to the development of the new energy vehicle industry, and the demand for finance leasing of new energy vehicles will also increase.	<ul style="list-style-type: none"> <li>• Increase in operating income</li> </ul>	<ul style="list-style-type: none"> <li>• Promote business innovation and timely launch products that meet market needs to attract and retain customers</li> <li>• Formulate risk control and credit policies for new energy vehicle finance lease applications</li> </ul>

## Green office

Based on its internet business attributes, the Company has identified that the main resources consumed in daily operations are water, electricity and office paper, and has taken active steps to implement energy conservation and consumption reduction measures applicable to the workplace across the country to achieve the various emission targets set by the Company and reduce the impact of such consumption activities on the environment and natural resources.

In terms of water saving, we use water-saving facilities, and put up water conservation posters in office areas, such as the sink and washroom to remind employees of saving water and strengthen their awareness on water conservation. The Company encountered no issues in obtaining water sources that are fit for purpose in 2021.

In terms of electricity conservation, we have accurately and effectively controlled the energy consumption in the office area of the Company, including replacement of non-sensor lighting to sensor lighting, assignment of inspection personnel to turn off unused electrical appliances in a timely manner, and control of the temperature of air-conditioning so as to save electricity, conserve energy and reduce consumption. We have also upgraded the air-conditioning control system to improve its usage and control efficiency, reduce equipment failures, and further reduce overall energy consumption.

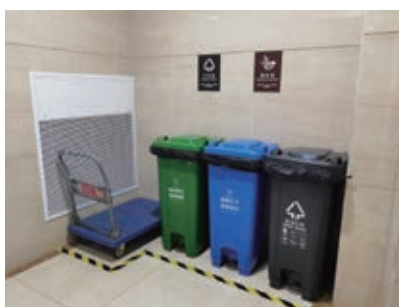


▲ Putting up “Water Conservation” poster



▲ Putting up “Paper-saving” poster next to the printer

The non-hazardous waste generated during the Company's operations mainly consists of used office paper and domestic waste. To minimize the impact on the environment, we strive to become more digital and paperless by managing paper consumption and cultivating employees' paper-conserving habit of printing only when necessary through various measures, including binding their badges information with printers and implementing real-name printing. We also set up paper recycling boxes next to the printers in the office area and put up paper-saving posters to encourage employees to be mindful of paper recycling. Furthermore, we strictly comply with the local waste separation regulations by installing waste separation bins in the office area and assigning cleaning staff to help employees with wastes classification, and thus raise their conscious of wastes classification. In addition, hazardous waste is collected and properly handled by qualified third parties.



▲ Waste classification bins on each floor of the Company

We encourage employees to practice the concept of green travel and use public transportation in order to scale down the reliance on corporate vehicles during the Company's operation. The Company has formulated the "Corporate Vehicle Usage Management System of Yixin Group" to regulate the application and approval process, audit of expenses and upper limits of corporate vehicles. In addition, we have installed GPS system on all corporate vehicles to not only keep track of their usage, but also provide traffic guidance to reduce fuel consumption.

## Environmental targets

In order to achieve the Company's green operation goal, we set up Yixin Building, the headquarter of Yixin Group in Shanghai, as a pilot for green office operation, to comprehensively implement energy consumption control. Based on the Company's daily operations and industry characteristics, we have laid down the following environmental targets:

### Water consumption target:

- Reduce per capita water consumption by 3% in 2022 as compared with 2021

### Electricity consumption target:

- Reduce per capita electricity consumption by 3% in 2022 as compared with 2021

### Greenhouse gas emission target:

- Reduce per capita greenhouse gas emissions by 3% in 2022 as compared with 2021



**Waste target:**

- Waste classification will be fully carried out in Shanghai Yixin Building by the end of 2022

**Office paper consumption target:**

- Reduce per capita office paper consumption by 5.5% in 2022 as compared with 2021

**Environmental Performance**

In 2021, we compiled performance indicators for emissions such as greenhouse gas emissions and waste emissions, as well as performance indicators for the use of resources such as energy and water consumption.

*Emissions<sup>2</sup>*

Indicator	Unit	2021
Total nitrogen oxides emissions from motor vehicles	kg	2.81
Total SOx emissions from motor vehicles	kg	0.27
Greenhouse gas emissions (Scope <sup>1</sup> and Scope <sup>2</sup> )	ton	1,210.60
GHG emissions per capita	ton/person	0.26
Direct GHG emissions (Scope <sup>1</sup> )	ton	41.86
Bus fuel consumption	ton	41.86
Indirect GHG emissions (Scope <sup>2</sup> )	ton	1,168.74
Purchased Electricity	ton	1,168.74
Hazardous waste	ton	0.00
Hazardous waste per capita	ton/person	0.00
Non-hazardous wastes	ton	310.56
Per capita non-hazardous wastes	ton/person	0.08

<sup>2</sup>Notes:

- ① Due to its business nature, the main gas emissions of the Group are greenhouse gases derived from the use of electricity and fuels converted from fossil fuels.
- ② The inventory of greenhouse gases includes 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 Baseline Emission Factors for Regional Power Grids in China – Emission Reduction Projects in 2019 《2019減排項目中國區域電網基準線排放因子》 issued by the Ministry of Ecological Environment of the People's Republic of China and the 2019 Refinement to the IPCC 2006 Guidelines for National Greenhouse Gas Inventories 《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 include discarded ink cartridges and wastes of 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 of ink cartridges in 2021. Since the warranty of lead-acid batteries remained valid, there was no waste of lead-acid battery in 2021.
- ④ The types of non-hazardous wastes involved in the operation of the Group include domestic wastes 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. No waste electronic equipment was generated in 2021.
- ⑤ The Group's operation does not involve the use of packaging materials.

*Energy Consumption*<sup>3</sup>

Indicator	Unit	2021
Total energy consumption	MW·h	2,077.66
Energy consumption per square meter of gross floor area	MW·h/m <sup>2</sup>	0.08
Direct energy consumption	MW·h	163.57
Petrol	MW·h	163.57
Indirect energy consumption	MW·h	1,914.09
Purchased Electricity	MW·h	1,914.09
Water consumption	ton	8,844
Per capita water consumption	ton/person	7.33

<sup>3</sup> 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 2589-2020) 《綜合能耗計算通則》(GB/T 2589-2020) as well as the 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, Ganzhou, Fuyang, 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, and will be included based on actual circumstances in the future. Electricity expenses of the data centers of the Group is included in the custody fees, so power consumption of data center 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 The statistical scope of the Group's office water consumption includes the office water consumption in Beijing and Shanghai, and the water consumption of other office locations is included in the property fee, and the water consumption cannot be measured separately.

## SUPPLY CHAIN MANAGEMENT

The Company attaches great importance to supply chain management and is committed to incorporating the concept of sustainable operation. We strictly abide by the “Anti-Unfair Competition Law of the PRC” and other laws and regulations, and have revised the “Supplier Management Regulations”, the “Administrative Measures for Procurement” and other rules and regulations on top of the Company’s original system to enhance the informatization, refinement and centralization of supplier management, optimize environmental protection and sunshine procurement plans, and strengthen supplier management capabilities.

### Supplier management

The Company continues to reinforce the identification and management of environmental and social risks in all aspects of the supply chain. We have formulated rules and systems such as the “Sunshine Procurement Code for Suppliers of Yixin Group” and the “Supplier Management Regulations” to ensure the objectivity, impartiality and scientificity of the selection, engagement, evaluation and replacement of suppliers.

In terms of supplier selection, we require all suppliers to possess relevant qualifications and good reputation in the industry to ensure that there are no major lawsuits and/or disputes against the supplier, and that they have not been subject to administrative penalties for integrity issues. For IT suppliers, we require that they have been established for at least three years and possess the authorization of the brand manufacturers they distribute or represent. For non-IT suppliers, we require that they have been established for at least one year, and have a sufficient number of professional technical personnel and a sound pre-sales and after-sales quality assurance system. For shortlisted suppliers, the Company enters into integrity agreements with them to ensure that the quality of products and services provided or delivered by them meets the Company’s requirements.

During the supplier evaluation stage, we conduct periodic evaluation on qualified suppliers twice a year. In the event of two consecutive evaluation scores below 60, we will suspend the cooperation with such supplier for the following year.

In terms of suppliers replacement, we directly disqualify the suppliers that fail to deliver on time, deliver shoddy products and services, cause significant impact or loss on the Company’s business and internal service quality, and have violated the regulations specified in the “Sunshine Procurement Code for Suppliers of Yixin Group”.

The distribution and number of suppliers of the Company are as follows:

Region	Number of suppliers
East China	194
South China	39
Central China	7
North China	173
Northwest China	3
Southwest China	15
Northeast China	11
Total	442

## Green procurement

We uphold the concept of green environmental protection during the procurement process, and select and use recyclable office equipment. In 2021, we moved into a new office building in Beijing. In the process of expanding the lease of Chengdu office, in addition to the existing office furniture, over 90% of the newly obtained office furniture was second-hand. This has resulted in the conservation and reuse of resource, which is in line with the Company's commitment to sustainable development and operation.



▲ Recyclable office equipment procured in new office building

## Sunshine procurement

The Company adheres to the concept of sunshine procurement. In 2021, we continued to carry out training for employees in the procurement department, and required all suppliers participating in the bidding to sign the "Sunshine Procurement Code for Suppliers of Yixin Group", and the supervision department is responsible for the supervision of the entire procurement process. At the same time, we set out a description of procurement prohibitions and reporting channels for violations of laws and regulations for the suppliers in the sunshine procurement agreement to effectively ensure the standardization of the procurement process.

We visualize the procurement data and use the Company's "E-Procurement System" to present all procurement process information to ensure the transparency, intelligence and refinement of the procurement process. Our "Sunshine Procurement" data report template is open to the senior management of the Company, which specifies the particulars of the purchase amount, purchasing quantity, source of suppliers and saving amount of each department. We continue to improve the data of "Sunshine Procurement" template by checking the purchase acceptance forms of financial payment to facilitate the implementation of the sunshine procurement concept.

## INTEGRITY

The Company strives to create a corporate culture which embraces legal compliance, integrity and health, and regards integrity as an important principle of the Company's operation. We strictly abide by the "Anti-Unfair Competition Law of the PRC", the "Anti-Money Laundering Law of the PRC" and other laws and regulations relating to anti-bribery, anti-fraud and anti-money laundering and endeavor to improve the internal and external supervision mechanism to foster a clean and positive atmosphere within the Company, and oversee the Company's clean and healthy operation and development.

## Anti-corruption

To prevent and restrain corruption, the Company has formulated the “Anti-Corruption Policy of Yixin Group” to regulate the integrity of employees, covering the definition of offering and taking bribes, prohibition regulations, and relevant punishment measures for violations. At the same time, the Company requires every employee to be familiar with the “Code of Business Conduct and Ethics of Yixin Group” when they join the Company and sign together with the labor contract.

To enhance the integrity management of the Company, we have set up a professional safety supervision team, which consists of professionals with rich experience in the field of anti-corruption and fraud investigation. Through the establishment of relevant practical systems and regulations, we instill the sense of integrity among employees and actively promote the anti-corruption education in the process of labor contracts, signing employee induction orientation, employee business management and external partner management.

The Company regularly reviews and sorts out the risk points of corporate corruption and fraud, and eliminates potential risks in a timely manner by continuously optimizing business processes and fixing business loopholes. The Company makes use of the financial leasing business management system to analyze unusual orders and business data, so as to timely discover, investigate and deal with potential violations of disciplines and regulations, and deal with the involved employees and partners in accordance with laws and internal regulations.

We provide various reporting channels such as email, telephone and WeChat, as well as have in place strict whistleblower protection measures, encouraging all employees, suppliers and business partners to report any existing or potential corruption and violations. In the event that suspected corruption is found or relevant reports are received, the Company will organize a special team to conduct in-depth investigation of the corresponding incidents in the form of data analysis, inspections, unannounced visits and interviews. If an employee is found to be suspected of duty-related crimes, we will promptly report to and pass on to the judicial authorities for investigation in accordance with the laws, while preparing an investigation report and an inspection summary internally. Cases of proven fraud and corruption shall be dealt with in accordance with national laws and regulations as well as the Company’s systems, and the employees who engaged in serious corruption shall be dismissed, and internal punishment shall be imposed on their superiors with direct and indirect management responsibilities. In 2021, there were no concluded legal cases regarding corruption.

At the same time, the Company actively promotes the publicity of the corporate integrity culture through the combination of online and offline methods. Online publicity methods include online special training, “Yixin University” platform and WeChat Official Account, whereas offline publicity methods include integrity culture lectures, laws and regulations lectures, and typical case analysis, etc., to strengthen employees’ awareness on integrity. In March 2021, we duly carried out anti-corruption training for the Board, and all members of the Board thoroughly studied the training materials. By the end of 2021, the coverage rate of the integrity education for the employees from Yixin Group has reached 100%.



▲Anti-corruption training for employees

The Company stresses the importance of the cooperation with external peers on integrity. In 2021, we organized multiple exchanges and studies with the anti-corruption and anti-fraud departments in the industry, learning from advanced experience and measures and promoting the efficient development of anti-corruption and anti-fraud work of both parties.

### Anti-money laundering

The Company strictly abides by relevant laws, regulations and requirements of the regulatory authorities such as the “Anti-money Laundering Law of the PRC” and the “Guidelines on Promoting the Healthy Development of Internet Finance”. The Company has formulated 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

The Company is devoted to becoming a responsible and committed enterprise that continues to contribute to social welfare. We have determined the path of public welfare development, actively engaged local labor unions, explored potential corporate public welfare initiatives, and developed a series of public welfare plans. In 2021, we promoted various public welfare events in terms of “rural vitalization”, “donation”, “emergency rescue” and “inclusive services” to actively contribute to the society.

### Rural vitalization

The Company actively responds to the national call of “14th Five-Year” Plan, implements the philosophy of “fintech shall empower the real economy” and strives to promote rural vitalization.

*“Rural vitalization – Changxing Island Tangerines” public welfare event*

In order to help rural vitalization and promote the traditional virtues of assisting those in need, in 2021, the Company purchased nearly 3,000 catties of Changxing Island tangerines, contributing to the development of local villages.



▲ Helping local fruit farmers and purchasing Changxing Island tangerines



▲ Rural vitalization and assistance to farmers

*"Supplies Donation in Jinping County" public welfare event*

From August 9 to 10, 2021, Xianxia new village street, Changning District, Shanghai held the signing ceremony of "Striving for a relatively wealthy life in 2021" with Jinping County. The Company donated 10 laptops to Jinping County to help its industrial and education development, contributing to the poverty alleviation of Jinping County and the realization of comprehensive well-off in the eastern region.



▲Supplies donation ceremony

## Donation

Our volunteers have long been concerned about the development needs of community residents, as well as actively participating in community co-building activities such as charity donation and caring for them. While gaining appreciation, more individuals in society have recognized the perseverance and value of Yixin Group.

*“Books Donation” public welfare event*

In 2021, the Company donated 48 books including bilingual books and popular science magazines to the Committee of Hongqiao Linkong Economy Park of Changning District, Shanghai, which promoted the cultural construction of the park and created a good learning atmosphere of reading, thinking and communication.



▲ Books donation ceremony

*“Visiting the Armed Police Corps Hospital of Shanghai on the Military Day” public welfare event*

In July 2021, on the occasion of the 94th anniversary of the People’s Liberation Army, some party members and leaders of the Company visited the Armed Police Corps Hospital of Shanghai, sending holiday greetings and high tribute to all members of the officers and soldiers in the hospital, and sharing the love between military and the people.



▲ Group photo of representatives of the Company and Armed Police Corps Hospital of Shanghai



## Emergency Rescue

In the event of sudden extreme weather and natural disasters, we provide customers with green service hotlines, including rescue support, door-to-door delivery, vehicle rescue assistance, post-disaster claims assistance and delayed repayment. At the same time, in order to solve the inconvenience of travel caused by the pandemic, we have launched the “full-process service” to provide customers with on-site contracting, delivery, assistance in settlement, emergency response and other services.

*Yixin's “Green Special Service” aids for flood victims in Henan*

In August 2021, during the severe rainstorm disaster in Henan, the Company immediately established a special green service arranging exclusive customer service and Yixin financial advisor to provide customized services for the affected car owners in Henan, which helped the customers solve difficulties effectively. Also, in the face of the affected partnering distributors, we quickly arranged local employees to the distribution outlets to provide rescue support, such as car wash and store cleaning, helping distributors recover from the disaster.



▲The Company helped the distributors recover from the disaster

## Inclusive services

In order to meet the needs of users in remote areas and ethnic minority users, effectively solve users' difficulties and protect consumers' rights and interests, our employees go into local ethnic areas, learn local ethnic language, and customize car purchase plans for customers to help local residents purchase cars conveniently. At the same time, we provide diversified services and solutions for different types of users and needs. We actively serve agriculture, rural areas and farmers and small-and-medium merchants by offering a variety of financial solutions for agricultural vehicles and commercial vehicles, and provide users with high-quality and efficient automobile financial services.

### *Yixin financial services to solve user needs in remote areas*

Tea and sugar cane plantations are spread over Lincang, Dali, where the local villagers have strong demand for small trucks. However, due to mountain relief and remoteness, other players in the market have been reluctant to provide services, making it difficult for local villagers to purchase vehicles. A financial advisor of Yixin Group, who joined the Company two years ago, has traveled eight towns and five villages in Fengqing County, Lincang and made the dream of hundreds of local farmers of car purchase come true by providing customized financial instalment services, and effectively helped the “hometown of Yunnan black tea” improve production and operation efficiency and promote the development of the tea industry ecological chain.



▲ Cha Shan, Fengqing County, Yunnan

# 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”), which are set out on pages 128 to 232, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

### 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 31 December 2021, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 summarised as follows:

- Provision for expected credit losses of finance receivables
- Fair value measurement of financial assets classified as level 3

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Provision for expected credit losses of finance receivables</i></p> <p>Refer to note 4.1(a), note 7 and note 18 to the consolidated financial statements.</p> <p>As at 31 December 2021, the balance of finance receivables amounted to RMB11,109,198,000, after a provision for expected credit losses of RMB401,431,000. For the year ended 31 December 2021, the provision for expected credit losses of finance receivables recorded in the consolidated income statement amounted to RMB120,733,000.</p> <p>The balance of provision for expected credit losses of finance receivables represents management's best estimate at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") model.</p> <p>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.</p>	<p><i>Our procedures in relation to the provision for expected credit losses of finance receivables included:</i></p> <p><b>Understanding and evaluating management's assessment process and controls</b></p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the management's internal control and assessment process relating to management's ECL model, significant assumptions and major data inputs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty;</li> <li>• We tested IT controls over the information systems which are used to maintain the completeness and accuracy of related contractual information with each customer;</li> <li>• We evaluated the outcome of the prior year assessment of ECL model to assess the effectiveness of management's estimation process.</li> </ul> <p><b>Substantive testing of the provision for expected credit losses</b></p> <ul style="list-style-type: none"> <li>• We involved our internal modelling specialist and 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;</li> <li>• 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;</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The measurement model for expected credit losses involves significant management judgments and assumptions, primarily for the following:</p> <ul style="list-style-type: none"> <li>• Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;</li> <li>• Economic indicators for forward-looking measurements, and the application of economic scenarios and weightings;</li> <li>• Estimated future cash flows for defaulted and credit-impaired finance receivables.</li> </ul> <p>For measuring expected credit losses, the Group adopted a complex model, employed numerous parameters and data inputs, and applied significant management judgments and assumptions with a high degree of estimation uncertainty. The inherent risk in relation to the provision for ECL of finance receivables is considered significant due to the complexity of the model and subjectivity of significant assumptions and major data inputs. In addition, the finance receivables and provisions accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• We utilized IT audit techniques to assess the accuracy of the provision for expected credit losses of finance receivables made by management;</li> <li>• We assessed the adequacy of the disclosures related to ECL in the context of the applicable financial reporting framework.</li> </ul> <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for finance receivables, we considered the model, key parameters, significant judgment and assumptions adopted by management and the measurement results were supportable by the evidence obtained and procedures performed.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Fair value measurement of financial assets classified as level 3</i></p> <p>Refer to note 4.1 (c), note 3.3 and note 16 to the consolidated financial statements.</p> <p>The Group has invested in certain financial assets at fair value through profit or loss with fair value of RMB2,995,871,000 as at 31 December 2021.</p> <p>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.</p>	<p><i>Our procedures in relation to the determination of fair value of financial assets classified as level 3 included:</i></p> <p><b>Understanding and evaluating management's assessment process and controls</b></p> <ul style="list-style-type: none"> <li>We understood and evaluated the internal controls relating to management's model used, development of significant assumptions and major data inputs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty.</li> </ul> <p><b>Substantive testing of fair value measurement of financial assets classified as level 3</b></p> <ul style="list-style-type: none"> <li>We obtained management's calculation sheets of fair value estimation of financial assets classified as level 3 evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets;</li> <li>We evaluated the independent external appraisal firm's competence, capability and objectivity;</li> <li>We involved our internal valuation specialist and assessed the appropriateness of the methodologies and key assumptions adopted by management, including but not limited to terminal growth rate, bond yield, discount rates and volatility;</li> <li>We compared the input data of terminal growth rates in the calculation sheet with management's forecast of future profits, strategic plans and business data;</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Management assessed and measured the fair value of financial assets classified as level 3 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.</p> <p>The determination of the model adopted and key inputs required management's significant judgment or estimation. The prescribed value of the financial assets classified as level 3 is significant to the financial statements. In view of this we have identified this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We compared the volatility and discounted rate with comparable companies in the open market to assess the reasonableness of the input data used;</li> <li>• We challenged management regarding its approach for determining the probability weighting, liquidation and redemption scenarios, including assessing and analysing the weightings based on our understanding of the investees' business and market condition.</li> </ul> <p>Based on the procedures performed, we considered the judgments and estimates made by the Group for the determination of fair value of the financial assets classified as level 3 and the valuation results were supported by the evidence we obtained.</p>

## 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 THE 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 is 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, actions taken to eliminate threats or safeguards applied.

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, 23 March 2022

# CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
<b>Revenues</b>	5		
Transaction Platform Business		<b>2,302,279</b>	1,338,850
Self-operated Financing Business		<b>1,192,065</b>	1,986,365
		<b>3,494,344</b>	3,325,215
Cost of revenues	7	<b>(1,716,003)</b>	(1,769,576)
<b>Gross profit</b>		<b>1,778,341</b>	1,555,639
Selling and marketing expenses	7	<b>(1,358,417)</b>	(854,141)
Administrative expenses	7	<b>(397,736)</b>	(438,798)
Research and development expenses	7	<b>(146,429)</b>	(150,193)
Credit impairment losses	7	<b>(286,376)</b>	(1,812,270)
Other income and other gains, net	6	<b>512,799</b>	218,652
<b>Operating profit/(loss)</b>		<b>102,182</b>	(1,481,111)
Finance (cost)/income, net	9	<b>(3,111)</b>	11,750
Share of losses of investments accounted for using the equity method	15	<b>(15,446)</b>	(28,573)
<b>Profit/(Loss) before income tax</b>		<b>83,625</b>	(1,497,934)
Income tax (expense)/credit	10	<b>(54,672)</b>	342,185
<b>Profit/(Loss) for the year</b>		<b>28,953</b>	(1,155,749)
<b>Profit/(Loss) attributable to:</b>			
– Owners of the Company		<b>28,953</b>	(1,155,749)
– Non-controlling interests		<b>–</b>	–
		<b>28,953</b>	(1,155,749)
<b>Profit/(Loss) per share attributable to owners of the Company for the year (expressed in RMB per share)</b>	11		
– Basic		<b>0.005</b>	(0.184)
– Diluted		<b>0.004</b>	(0.184)

The above consolidated income statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Profit/(Loss) for the year</b>	<b>28,953</b>	(1,155,749)
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may not be reclassified to profit or loss</i>		
Currency translation differences	<b>(46,747)</b>	(122,403)
<b>Total comprehensive loss for the year</b>	<b>(17,794)</b>	(1,278,152)
<b>Attributable to:</b>		
– Owners of the Company	<b>(17,794)</b>	(1,278,152)
– Non-controlling interests	–	–
	<b>(17,794)</b>	(1,278,152)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2021	2020
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	12	454,114	484,944
Right-of-use assets	13	20,386	24,619
Intangible assets	14	1,374,318	1,722,892
Associates using equity accounting	15	605,103	461,973
Associates measured at fair value through profit or loss	15	56,000	–
Financial assets at fair value through profit or loss	16	2,995,871	2,568,860
Deferred income tax assets	28	749,321	702,195
Prepayments, deposits and other assets	20	192,460	197,510
Finance receivables	18	5,379,618	3,923,125
Trade receivables	19	742,531	488,697
Restricted cash	21	70,203	67,359
		<b>12,639,925</b>	10,642,174
<b>Current assets</b>			
Finance receivables	18	5,729,580	8,848,735
Trade receivables	19	1,890,033	1,261,970
Prepayments, deposits and other assets	20	1,827,522	1,531,685
Restricted cash	21	2,398,413	2,529,500
Cash and cash equivalents	21	3,051,720	2,711,558
		<b>14,897,268</b>	16,883,448
<b>Total assets</b>		<b>27,537,193</b>	27,525,622
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	22	4,204	4,182
Share premium	22	34,976,080	34,882,666
Other reserves	23	967,386	971,426
Accumulated losses		(21,305,459)	(21,324,412)
<b>Total equity</b>		<b>14,642,211</b>	14,533,862

## CONSOLIDATED BALANCE SHEET

	Note	<b>As at 31 December</b>	
		<b>2021</b>	2020
		<b>RMB'000</b>	RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	27	<b>3,467,173</b>	1,561,800
Lease liabilities	13	<b>7,616</b>	10,937
Deferred income tax liabilities	28	<b>96,838</b>	3,452
Other non-current liabilities	29	<b>960,351</b>	1,200,521
		<b>4,531,978</b>	2,776,710
<b>Current liabilities</b>			
Trade payables	25	<b>537,616</b>	317,760
Risk assurance liabilities	3.1(b)(ii)	<b>651,958</b>	277,457
Other payables and accruals	26	<b>1,059,849</b>	886,076
Current income tax liabilities		<b>147,269</b>	136,911
Borrowings	27	<b>5,955,230</b>	8,585,583
Lease liabilities	13	<b>11,082</b>	11,263
		<b>8,363,004</b>	10,215,050
<b>Total liabilities</b>		<b>12,894,982</b>	12,991,760
<b>Total equity and liabilities</b>		<b>27,537,193</b>	27,525,622

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 128 to 232 were approved by the Board of Directors on 23 March 2022 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
<b>Balance at 1 January 2021</b>		<b>4,182</b>	<b>34,882,666</b>	<b>971,426</b>	<b>(21,324,412)</b>	<b>14,533,862</b>
<b>Comprehensive loss</b>						
Profit for the year		-	-	-	28,953	28,953
Currency translation differences	23	-	-	(46,747)	-	(46,747)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(46,747)</b>	<b>28,953</b>	<b>(17,794)</b>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation	8, 23, 24	-	-	131,020	-	131,020
Appropriation to statutory surplus reserve	23	-	-	10,000	(10,000)	-
Release of ordinary shares from Share Scheme Trusts	22, 23, 24	9	47,972	(47,861)	-	120
Shares issued upon exercise of employee share options	22, 23, 24	1	7,291	(7,274)	-	18
Vesting of restricted awarded shares	22, 23, 24	12	38,151	(38,163)	-	-
Purchase of restricted shares under share award scheme	23, 24	-	-	(5,015)	-	(5,015)
<b>Total transactions with owners in their capacity as owners</b>		<b>22</b>	<b>93,414</b>	<b>42,707</b>	<b>(10,000)</b>	<b>126,143</b>
<b>Balance at 31 December 2021</b>		<b>4,204</b>	<b>34,976,080</b>	<b>967,386</b>	<b>(21,305,459)</b>	<b>14,642,211</b>

## 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
<b>Balance at 1 January 2020</b>		4,148	34,739,193	1,138,370	(20,168,657)	15,713,054
<b>Comprehensive loss</b>						
Loss for the year		-	-	-	(1,155,749)	(1,155,749)
Currency translation differences	23	-	-	(122,403)	-	(122,403)
<b>Total comprehensive loss for the year</b>		-	-	(122,403)	(1,155,749)	(1,278,152)
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation	8, 23, 24	-	-	105,043	-	105,043
Appropriation to statutory surplus reserve	23	-	-	6	(6)	-
Release of ordinary shares from Share Scheme Trusts	22, 23, 24	17	87,411	(87,189)	-	239
Shares issued upon exercise of employee share options	22, 23, 24	2	10,450	(10,423)	-	29
Vesting of restricted awarded shares	22, 23, 24	15	45,612	(45,627)	-	-
Purchase of restricted shares under share award scheme	23, 24	-	-	(6,351)	-	(6,351)
<b>Total transactions with owners in their capacity as owners</b>		34	143,473	(44,541)	(6)	98,960
<b>Balance at 31 December 2020</b>		4,182	34,882,666	971,426	(21,324,412)	14,533,862

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	1,457,831	12,287,200
Income tax returned/(paid)		1,944	(35,600)
<b>Net cash generated from operating activities</b>		<b>1,459,775</b>	<b>12,251,600</b>
<b>Cash flows from investing activities</b>			
Interest received		46,884	43,679
Proceeds from disposal of property and equipment and intangible assets		3,726	4,159
Purchase of property and equipment and other non-current assets		(13,203)	(19,119)
Purchase of intangible assets		(1,871)	(2,523)
Loans to a related party		–	(50,000)
Loans to third parties		(170,000)	(213,900)
Repayment of loans to third parties		43,900	156,000
Repayment of loans to a related party		–	50,000
Investments in financial assets at fair value through profit or loss	16	(85,000)	(160,298)
Proceeds from disposal of financial assets	16	5,087	–
Investment in associates		(311,000)	(75,000)
Prepayment for an investment	20	(17,500)	–
Acquisition of a subsidiary, net of cash acquired		–	(2,730)
Placements of restricted cash		(456,690)	(1,881,471)
Maturity of restricted cash		1,019,056	1,955,630
<b>Net cash generated from/(used in) investing activities</b>		<b>63,389</b>	<b>(195,573)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		11,463,235	10,004,541
Repayment of borrowings		(12,200,635)	(19,743,229)
Release of deposits for borrowings		164,943	253,561
Proceeds of loans from Bitauto Group	31(f)	–	300,000
Repayment of loans from Bitauto Group	31(f)	–	(600,000)
Principal elements of lease payments		(12,401)	(8,904)
Proceeds from exercise of share options		1,501	29
Purchase of restricted shares under share award scheme		(5,015)	(6,351)
Interest paid		(580,698)	(1,135,668)
<b>Net cash used in financing activities</b>		<b>(1,169,070)</b>	<b>(10,936,021)</b>
<b>Net increase in cash and cash equivalents</b>		<b>354,094</b>	<b>1,120,006</b>
Cash and cash equivalents at beginning of year		2,711,558	1,586,817
Exchange (losses)/gains on cash and cash equivalents		(13,932)	4,735
<b>Cash and cash equivalents at end of year</b>		<b>3,051,720</b>	<b>2,711,558</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Yixin Group Limited (the “Company”) was incorporated in the Cayman Islands on 19 November 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, Uglund 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 16 November 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”).

Pursuant to the Voting Proxy Agreement entered into between Bitauto Holdings Limited (“Bitauto” collectively with its subsidiaries, the “Bitauto Group”) and Tencent Holdings Limited (“Tencent” collectively with its subsidiaries, the “Tencent Group”) on 15 November 2019, Tencent granted to Bitauto a voting proxy representing approximately 10% of the then issued share capital of the Company, enabling Bitauto to exercise in excess of 50% of the voting rights in the Company. Upon the termination of the Voting Proxy Agreement with effect from 4 November 2020, Bitauto no longer had statutory control over the Company. As at the date of these consolidated financial statements, there is no ultimate parent of the Company. The Tencent Group is the largest shareholder of the Company (Note 31).

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 31 December 2021, 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 31 December 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”) and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). 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 1 January 2021:

<b>Standards and amendments</b>	<b>Effective for annual periods beginning on or after</b>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle,
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

The above amendments to IFRS effective for the financial year beginning on 1 January 2021 do not have a material impact on the Group’s consolidated financial statements.

## 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 but are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual periods beginning on or after
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)	1 January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

### 2.2 Subsidiaries

2.2.1 *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)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 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 its controlled structured entity and consolidates the financial position and results of operations of Beijing Yixin 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)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 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)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 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.

#### 2.2.2 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.

### 2.3 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)

### 2.3 Associates (Continued)

(a) *Equity method of accounting*

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 "Other income and other gains, net" 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) *Fair value through profit or loss*

The Group has invested as a limited partner in certain Funds and exerted significant influence. The Group has applied the measurement exemption within IAS "Investment in Associates and Joint Ventures" for mutual funds, unit trusts and similar entities and such investments are measured at fair value through profit or loss, and presented as "associates measured at fair value through profit or loss" in the balance sheet.

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 2.9 and 16).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Segment reporting

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

### 2.5 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 (cost)/income, net”. All other foreign exchange gains and losses are presented in the consolidated income statement within “Other income and 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)

### 2.5 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.

### 2.6 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)

### 2.6 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 2.8).

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

### 2.7 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)

### 2.7 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 31 December 2021 (2020: 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)

### 2.7 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, it was fully amortised by 31 December 2018 as the amortization was 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 that 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.

### 2.8 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)

### 2.9 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)

### 2.9 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 income and 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", "Prepayments, 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 income and 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 income and 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 income and other gains, net" in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 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 and other gains, net" 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 income and 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 and other 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 19 for further details.

### 2.10 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)

### 2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The risk assurance 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 recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees 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 guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Provision for expected credit losses on risk assurance liability, as applicable, is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### 2.12 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.

### 2.13 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)

### 2.14 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.

### 2.15 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.

### 2.16 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 prepayment 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)

### 2.17 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.

### 2.18 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 and does not give rise to equal taxable and deductible temporary differences. 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)

### 2.18 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.

### 2.19 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.

The Company does not operate any other defined contribution schemes, and as such, there is no forfeited contributions, nor does the Company employ any actuary for defined benefit plans.

(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)

### 2.19 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.

### 2.20 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 24), under which it receives services from employees and non-employees as consideration for share options and restricted shares units (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 share 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)

### 2.21 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.

### 2.22 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 allocates 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, (ii) guarantee services, (iii) after-market services, and (iv) other services. 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 allocates 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 at point-in-time when performance obligation of the service has been satisfied, being when a transaction is fulfilled and completed. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to its customers, net of value-added tax. The transaction price is limited to the amount of consideration that is probable not to be reversed in future periods. The Group assesses whether the estimate of variable consideration is constrained. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition (Continued)

#### (a) *Transaction Platform Business (continued)*

The Group recognizes revenue from the provision of guarantees. The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee is initially recognised as deferred income, which is included in “Risk assurance liabilities” on the Group’s consolidated balance sheet, and is amortised to profit or loss over the term of the guarantee as guarantee service income.

The Group provides after-market services to car buyers which includes insurance facilitation services. After-market insurance facilitation services mainly involve facilitating vehicle replacement service binding to related liability insurance provided by insurance companies. After-market service revenue is recognized at the point of time the insurance facilitation services are performed.

#### 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)

### 2.23 Dividend income

Dividend income is recognized when the right to receive payment is established.

### 2.24 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.

### 2.25 Leases

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.

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)

### 2.25 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, e.g. term, country, currency and security.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 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.

### 2.26 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 31 December 2021 and 2020 would have been approximately RMB234,882 higher/lower and RMB240,000 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, whereas those carried at fixed rates expose the Group to fair value interest rate risk.

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 31 December 2021 and 2020 would have been approximately RMB9,777,000 lower/higher and RMB16,823,000 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 investments in debt instruments and unlisted securities measured at FVPL are not subject to the ECL assessment.

(ii) Expected credit loss measurement

*Models*

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage I'.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage II'. The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage III'. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, if the borrower is more than 90 days past due on its contractual payments.
- Financial instruments in Stage I have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage II or III have their ECL measured based on ECL on a lifetime basis.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) *Credit risk (continued)*

(ii) Expected credit loss measurement (continued)

*Models (continued)*

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets).

Stage I	Change in credit quality since initial recognition	
	Stage II	Stage III
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

*Significant increase in credit risk (SICR)*

The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. No qualitative criterion is considered by the Group since the Group monitors the risk of borrowers purely based on overdue period.

*Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired if the borrower is more than 90 days past due on its contractual payments. No qualitative criterion is considered by the Group since the Group monitors the risk of borrowers purely based on overdue period.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purpose. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

##### *Measuring ECL-Explanation of inputs, assumptions and estimation techniques*

The ECL is measured on either a 12-months (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired assets” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculate on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 month and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e.: the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

*Forward-looking information incorporated in the ECL models*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group.

*Maximum exposure to credit risk-Financial instruments subject to impairment*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposures to credit risk on these assets.

	Maximum exposure to credit risk of the Group				
	As at 31 December 2021				
	Stage I	Stage II	Stage III	Simplified	Total
		Expected	Expected	Approach	
	12 months	credit	credit	credit	
expected	loss since	loss since	loss since		
credit loss	purchased	purchased	purchased		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	3,051,720	-	-	-	3,051,720
Restricted cash	2,468,616	-	-	-	2,468,616
Finance receivables	11,037,428	75,751	397,450	-	11,510,629
Trade receivables	-	-	-	2,735,827	2,735,827
Other receivables	-	1,713,795	302,035	-	2,015,830
Gross balance	16,557,764	1,789,546	699,485	2,735,827	21,782,622
Allowance for impairment losses	(188,287)	(182,099)	(234,784)	(132,820)	(737,990)
Net balance	16,369,477	1,607,447	464,701	2,603,007	21,044,632
Off balance-sheet items	33,101,666	668,531	-	-	33,770,197
Risk assurance liabilities	(611,968)	(39,990)	-	-	(651,958)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Maximum exposure to credit risk-Financial instruments subject to impairment (continued)

	Maximum exposure to credit risk of the Group As at 31 December 2020				Total RMB'000
	Stage I 12 months expected credit loss RMB'000	Stage II Expected credit loss since purchased RMB'000	Stage III Expected credit loss since purchased RMB'000	Simplified Approach Expected credit loss since purchased RMB'000	
Cash and cash equivalents	2,711,558	-	-	-	2,711,558
Restricted cash	2,596,859	-	-	-	2,596,859
Finance receivables	12,347,806	437,800	486,814	-	13,272,420
Trade receivables	-	-	-	1,859,475	1,859,475
Other receivables	-	1,372,023	211,537	-	1,583,560
Gross balance	17,656,223	1,809,823	698,351	1,859,475	22,023,872
Allowance for impairment losses	(167,519)	(169,346)	(241,446)	(128,375)	(706,686)
Net balance	17,488,704	1,640,477	456,905	1,731,100	21,317,186
Off balance-sheet items	17,816,726	669,428	-	-	18,486,154
Risk assurance liabilities	(229,043)	(48,414)	-	-	(277,457)

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) *Credit risk (continued)*

(ii) Expected credit loss measurement (continued)

##### *Finance receivables*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that the risk exposures within a group are homogeneous. The Group determines groupings by product type, namely consumption loan, automobile mortgage loan and commercial vehicle loan.

Provision for expected credit losses as at 31 December 2021 and 2020 was determined as follows for finance receivables:

31 December 2021	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Expected loss rate	1.71%	39.23%	46.15%	3.49%
Gross carrying amount (Note 18)	11,037,428	75,751	397,450	11,510,629
Provision for expected credit losses	188,287	29,714	183,430	401,431
<hr/>				
31 December 2020	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Expected loss rate	1.36%	30.09%	41.35%	3.77%
Gross carrying amount (Note 18)	12,347,806	437,800	486,814	13,272,420
Provision for expected credit losses	167,519	131,744	201,297	500,560

The most significant assumptions used for the ECL estimate as at 31 December 2021 are loan balance at financial institutions and broad money ("M2") (31 December 2020: per capita disposable income in China and M2). Due to the fluctuation of the macroeconomic environment, the Group used historical data to refit the prospective regression model to determine key economic variables. Back testing has been performed to prove these variables are the most relevant. The scenarios "base", "upside" and "downside" were used for all portfolios.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Finance receivables (continued)

Key economic variable	Scenario	2021	2020
Loan balance at financial institutions	Base	11.50%	N/A
	Upside	11.73%	N/A
	Downside	11.27%	N/A
M2	Base	8.70%	9.10%
	Upside	8.03%	10.12%
	Downside	9.37%	8.07%
Per capita disposable income in China	Base	N/A	4.12%-6.80%
	Upside	N/A	6.85%-9.53%
	Downside	N/A	1.39%-4.07%

The Group determines the base, upside, and downside scenarios and their weightings according to the analysis of macroeconomics and calculates thereby the weighted average ECL allowance. The weightings assigned to each economic scenario as at 31 December 2021 and 2020 were as follows:

Key economic variable	Scenario	2021	2020
Loan balance at financial institutions	Base	85%	N/A
	Upside	10%	N/A
	Downside	5%	N/A
M2	Base	85%	85%
	Upside	10%	10%
	Downside	5%	5%
Per capita disposable income in China	Base	N/A	85%
	Upside	N/A	10%
	Downside	N/A	5%

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(b) *Credit risk (continued)*

(ii) Expected credit loss measurement (continued)

*Finance receivables (continued)*

A sensitivity analysis is performed on the key economic variables, namely loan balance at financial institutions and M2. Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

		Loan balance at financial institutions		
		-5%	No Change	5%
		RMB'000	RMB'000	RMB'000
<b>M2</b>	-5%	(6,942)	33,613	(48,066)
	No Change	(990)	–	960
	5%	88,406	(61,734)	47,282

Finance receivables are written off when there is no reasonable expectation of recovery (Note 18). Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan after the completion of legal proceedings and execution, and a failure to make contractual payments for a certain period of time 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) Expected credit loss measurement (continued)

##### *Trade receivables and other receivables*

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. To measure the expected credit losses, trade receivables have been grouped based on the days past due. For other receivables other than loans recognized as a result of payment under risk assurance, the ECL are assessed individually. The Company consider the counterparties with good credit worthiness with reference to external credit rating and historical observed default rates over the expected life. The Company has identified the Consumer Price Index (CPI) and Producer Price Index (PPI) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. In the opinion of the Company, the estimated loss rates of these counterparties are not significant and the Group assessed that the ECL on these balances are insignificant.

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.

##### *Off balance-sheet items*

Under the arrangements with certain financial institutions for loan facilitation services, the Group is obligated to purchase the relevant loans upon certain specified events of default by car buyers. As of 31 December 2021, the total outstanding balance of loans funded by financial institutions under such arrangements was RMB33,165 million (2020: RMB17,881 million). As at 31 December 2021, the guarantee liabilities recognised by the Group under such financial guarantee contracts was RMB632.3 million (2020: RMB247.9 million).

Under the guarantee agreement with Chetaotao (Ningbo) E-commerce Co., Ltd. ("Chetaotao"), Xinche Investment (Shanghai) Co., Ltd. ("Xinche"), an indirectly wholly-owned subsidiary of the Company, is required to pay the redemption price on behalf of Chetaotao upon certain events. As of 31 December 2021, the total outstanding redemption price under the guarantee agreement was RMB605 million (2020: RMB605 million). As at 31 December 2021, the guarantee liabilities recognised by the Group under such guarantee contracts was RMB19.7 million (2020: RMB29.6 million).

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

(b) *Credit risk (continued)*

(ii) Expected credit loss measurement (continued)

*Off balance-sheet items (continued)*

Expected credit loss provisions of related risk assurance liabilities are modelled on a collective basis. A grouping of exposures is performed on the basis of shared risk characteristics, such that the risk exposures within a group are homogeneous. The Group determines groupings by product type, namely consumption loan and automobile mortgage loan.

The most significant assumptions used for the ECL estimate as at 31 December 2021 are loan balance at financial institutions and broad money ("M2"). (31 December 2020: per capita disposable income in China and M2).

Risk assurance liabilities 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 after the completion of legal proceedings and execution, and a failure to make contractual payments for a certain period of time past due.

(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
<b>At 31 December 2021</b>				
<b>Financial assets</b>				
Finance receivables		6,563,274	5,774,049	12,337,323
Trade receivables	19	1,890,033	742,531	2,632,564
Deposits and other financial assets		1,705,999	94,046	1,800,045
Restricted cash		2,398,413	70,203	2,468,616
Cash and cash equivalents	21	3,051,720	–	3,051,720
		<b>15,609,439</b>	<b>6,680,829</b>	<b>22,290,268</b>
<b>Financial liabilities</b>				
Borrowings		6,278,267	3,548,343	9,826,610
Trade payables	25	537,616	–	537,616
Lease liabilities		11,082	7,616	18,698
Other financial liabilities		1,200,069	28,244	1,228,313
		<b>8,027,034</b>	<b>3,584,203</b>	<b>11,611,237</b>
<b>Net</b>		<b>7,582,405</b>	<b>3,096,626</b>	<b>10,679,031</b>

### 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
<b>At 31 December 2020</b>				
<b>Financial assets</b>				
Finance receivables		9,744,935	4,171,762	13,916,697
Trade receivables	19	1,261,970	488,697	1,750,667
Deposits and other financial assets		1,422,101	64,141	1,486,242
Restricted cash		2,529,500	67,359	2,596,859
Cash and cash equivalents	21	2,711,558	–	2,711,558
		17,670,064	4,791,959	22,462,023
<b>Financial liabilities</b>				
Borrowings		9,001,243	1,669,547	10,670,790
Trade payables	25	317,760	–	317,760
Lease liabilities		12,540	13,163	25,703
Other financial liabilities		819,147	92,312	911,459
		10,150,690	1,775,022	11,925,712
<b>Net</b>		<b>7,519,374</b>	<b>3,016,937</b>	<b>10,536,311</b>

The Group's financial assets at fair value through profit or loss are investments in private companies and debt instruments, which are managed on a fair value basis rather than by maturity dates.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

(d) *Other financial risk*

China Banking and Insurance Regulatory Commission, jointly with other regulatory authorities, issued the Circular on Issuing Supplementary Provisions on Supervision of Financing Guarantee Companies (the “Circular”) on 24 October 2019 to further regulate certain financial guarantee activities. Following the release of the Circular the Company noted that the guarantee services provided through the Transaction Platform Business could be subject to penalties and/or be required to change its current business model.

In response, the Group has continued to take the following actions: (a) established Tianjin Duoxin Financial Guarantee Company Limited (“Tianjin Duoxin”), another wholly-owned subsidiary that is licensed to provide financial guarantees and is used to guarantee new facilitation arrangements, and (b) worked with certain lending institution to transfer its existing guarantee obligations to Guangzhou Shengda.

Management has assessed that in all likelihood the future 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 resources during the process of complying with the Circular. Management will continue to assess the impact of the Circular on its business and take further actions if deemed necessary.

#### 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.

Under the terms of some borrowing facilities, the Group is required to comply with certain financial covenants. The Group has complied with covenants throughout the reporting period.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.2 Capital management (Continued)

The Group's debt to equity ratio and net position of the Group as at 31 December 2021 and 2020 was as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Borrowings (Note 27)	<b>9,422,403</b>	10,147,383
Lease liabilities	<b>18,698</b>	22,200
Less: cash and cash equivalents and restricted cash (Note 21)	<b>(5,520,336)</b>	(5,308,417)
Net debt	<b>3,920,765</b>	4,861,166
Total equity	<b>14,642,211</b>	14,533,862
Total capital	<b>18,562,976</b>	19,395,028
<b>Gearing ratio</b>	<b>21%</b>	25%



### 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 31 December 2021 and 2020, 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:

- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets:</b>				
Financial assets at fair value through profit or loss (Note 16)	-	-	2,995,871	2,995,871
Associates measured at fair value through profit or loss (Note 15)	-	-	56,000	56,000
Total financial assets	-	-	3,051,871	3,051,871

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets:</b>				
Financial assets at fair value through profit or loss	-	-	2,568,860	2,568,860

## 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.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (Continued)

(c) *Financial instruments in level 3 (continued)*

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended 31 December 2021 and 2020.

	Financial assets at fair value through profit or loss	
	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>2,568,860</b>	2,550,085
Additions	<b>85,000</b>	160,298
Disposals	<b>(5,087)</b>	–
Change in fair value	<b>397,523</b>	444
Currency translation differences	<b>(50,425)</b>	(141,967)
<b>At 31 December</b>	<b>2,995,871</b>	2,568,860
Total unrealized gains and change in fair value for the year	<b>397,436</b>	444

There is no transfer from level 1 and level 2 instruments to level 3 for the year ended 31 December 2021 (2020: nil).

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes 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.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (Continued)

(c) *Financial instruments in level 3 (continued)*

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.

	Fair value at 31 December 2021 RMB'000	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Relationship of unobservable inputs to fair value
Unlisted securities	387,271	Discounted cash flow model	WACC (Weighted Average Cost of Capital)	14%-27%	The higher the expected WACC, the lower the fair value.
			Terminal growth rate	2.5%-3.0%	The higher the expected terminal growth rate, the higher the fair value.
	227,524	Market approach	Volatility	52.5%	The higher the expected volatility, the higher the fair value.
Debt instruments	2,118,033	Discounted cash flow model	WACC (Weighted Average Cost of Capital)	20%	The higher the expected WACC, the lower the fair value.
			Bond yield	11.76%	The higher the expected bond yield, the lower the fair value.
			Terminal growth rate	2.5%	The higher the expected terminal growth rate, the higher the fair value.
	263,043	Market approach	Volatility	52.1%	The higher the expected volatility, the higher the fair value.

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 31 December 2021 and 2020 would have been approximately RMB278,438,000 higher/lower and RMB249,638,000 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 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) *Estimated impairment of non-financial assets*

The Group tests whether goodwill has suffered any impairment on an annual basis. Other non-financial assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The assets are allocated to each of CGUs, or groups of CGUs. As at 31 December 2021 and 2020, 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 and Note 15. These growth rates are consistent with management's financial forecast and budget. Details of key assumptions are disclosed in Note 14 and Note 15.

(e) *Recognition of deferred income tax assets*

Deferred income tax assets are mainly recognised for temporary differences such as provisions for expected credit losses, accrued expenses, 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 is primarily comprised of loan facilitation commission fees and other direct service costs. Cost of revenues for Self-operated Financing Business segment is primarily comprised of 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 income and other gains, net" associated with the respective segment.

The "Finance (cost)/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 consolidated 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 31 December 2021 are as follows:

	<b>Year ended 31 December 2021</b>		
	<b>Transaction Platform Business RMB'000</b>	<b>Self-operated Financing Business RMB'000</b>	<b>Total RMB'000</b>
Revenues	<b>2,302,279</b>	<b>1,192,065</b>	<b>3,494,344</b>
– Recognized at a point in time	<b>2,079,806</b>	<b>14,418</b>	<b>2,094,224</b>
– Recognized over time	<b>222,473</b>	<b>1,177,647</b>	<b>1,400,120</b>
Gross profit	<b>1,132,539</b>	<b>645,802</b>	<b>1,778,341</b>
Operating profit	<b>50,404</b>	<b>51,778</b>	<b>102,182</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	1,338,850	1,986,365	3,325,215
– Recognized at a point in time	1,212,985	27,593	1,240,578
– Recognized over time	125,865	1,958,772	2,084,637
Gross profit	726,466	829,173	1,555,639
Operating profit/(loss)	83,666	(1,564,777)	(1,481,111)

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 31 December 2021 and 2020, 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 31 December 2021 and 2020 is presented in the consolidated income statements of the Group.

The Group derives revenue from the following services and transfer of goods:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Recognized at a point in time RMB'000	Recognized over time RMB'000	Total RMB'000	Recognized at a point in time RMB'000	Recognized over time RMB'000	Total RMB'000
<b>Transaction Platform Business:</b>						
– Loan facilitation services	1,951,709	–	1,951,709	1,185,281	–	1,185,281
– Guarantee services	–	222,473	222,473	–	60,592	60,592
– After-market services	123,253	–	123,253	27,704	–	27,704
– Advertising and other services	4,844	–	4,844	–	65,273	65,273
	2,079,806	222,473	2,302,279	1,212,985	125,865	1,338,850
<b>Self-operated Financing Business</b>						
– Financing lease services	–	1,156,483	1,156,483	–	1,951,987	1,951,987
– Sales of automobiles	14,418	–	14,418	23,137	–	23,137
– Operating lease services and others	–	21,164	21,164	4,456	6,785	11,241
	14,418	1,177,647	1,192,065	27,593	1,958,772	1,986,365
<b>Total</b>	<b>2,094,224</b>	<b>1,400,120</b>	<b>3,494,344</b>	<b>1,240,578</b>	<b>2,084,637</b>	<b>3,325,215</b>



## 6 OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income from business cooperation arrangements with Yusheng Holdings Limited ("Yusheng") (Note 29(a))	205,598	151,899
Government grants	22,383	62,129
Losses on disposal of property and equipment and intangible assets	(1,148)	(3,122)
Fair value gain on financial assets (Note 16)	397,523	444
Impairment loss on investment in associate	(96,415)	–
Foreign exchange losses, net	(5,705)	7,115
Bank fees and charges	(20,388)	(13,919)
Others, net	10,951	14,106
<b>Total</b>	<b>512,799</b>	<b>218,652</b>

## 7 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loan facilitation commission fee	1,090,165	593,806
Employee benefit expenses (Note 8)	954,797	687,721
Funding costs	498,877	1,055,362
Depreciation and amortization charges	395,902	323,062
Provision for expected credit losses:		
– Other receivables (Note 20)	150,734	87,224
– Finance receivables (Note 18)	120,733	1,616,080
– Risk assurance liabilities	10,016	77,978
– Trade receivables (Note 19)	4,893	30,988
Expenses incurred for self-operated financing lease business	270,112	143,795
Office and administrative expenses	80,982	71,187
Provision for impairment of other non-current assets (Note 20)	63,469	113,804
Marketing and advertising expenditures	53,829	90,990
Cost of automobiles sold	17,850	23,301
Auditors' remuneration		
– Audit services	6,961	5,973
– Non-audit services	363	341
Other expenses	185,278	103,366
<b>Total</b>	<b>3,904,961</b>	<b>5,024,978</b>

**8 EMPLOYEE BENEFIT EXPENSES**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	641,601	485,136
Pension and benefits	182,176	97,542
Share-based compensation expenses (Note 24)	131,020	105,043
<b>Total employee benefit expenses</b>	<b>954,797</b>	<b>687,721</b>

**(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 31 December	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	9,060	8,531
Bonuses	1,657	108
Pension and benefits	424	159
Share-based compensation expenses	57,049	53,868
	<b>68,190</b>	<b>62,666</b>

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended 31 December	
	2021	2020
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	–	1
HK\$7,500,001 to HK\$8,000,000	–	2
HK\$13,500,001 to HK\$14,000,000	2	–
HK\$16,000,001 to HK\$16,500,000	1	–
HK\$18,500,001 to HK\$19,000,000	1	–
HK\$19,500,001 to HK\$20,000,000	1	–
HK\$45,000,001 to HK\$45,500,000	–	1
	<b>5</b>	<b>5</b>

## 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 31 December 2021 include 2 directors (2020: 2) whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining 3 for each of the year ended 31 December 2021 (2020: 3) are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	4,310	3,425
Bonuses	1,018	174
Pension and benefits	235	104
Share-based compensation expenses	33,437	13,151
	<b>39,000</b>	16,854

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended 31 December	
	2021	2020
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	–	1
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$13,500,001 to HK\$14,000,000	2	–
HK\$19,500,001 to HK\$20,000,000	1	–
	<b>3</b>	3

For the year ended 31 December 2021 and 2020, 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 (COST)/INCOME, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Finance income:</b>		
– Interest income	54,069	36,387
<b>Finance expenses:</b>		
– Interest expenses	(57,180)	(24,637)
<b>Net finance (cost)/income</b>	<b>(3,111)</b>	<b>11,750</b>

## 10 INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) of the Group for the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax expense/(credit)	8,412	(63,474)
Deferred income tax (Note 28)	46,260	(278,711)
<b>Income tax expense/(credit)</b>	<b>54,672</b>	<b>(342,185)</b>

## 10 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The reconciliation of Group's actual income tax expense/(credit) 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 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Profit/(Loss) before income tax</b>	<b>83,625</b>	(1,497,934)
Tax calculated at PRC statutory income tax rate of 25%	<b>20,906</b>	(374,484)
Tax effects of:		
– Differential income tax rates applicable to certain entities comprising the Group (Note (a), (b))	<b>36,654</b>	48,340
– Tax effect of preferential tax treatments (Note (c))	<b>(60,428)</b>	(23,380)
– Expenses not deductible for tax purposes	<b>18,772</b>	30,827
– Tax losses and temporary differences for which no deferred income tax asset was recognized	<b>43,776</b>	10,711
– Utilization of previously unrecognized tax losses	<b>(678)</b>	(9,455)
– Recognition of deferred income tax assets previously unrecognized	–	(7,407)
– Additional deduction of research and development expense	<b>(5,492)</b>	(5,375)
– Utilization of previously unrecognized temporary differences	–	(11,767)
Others	<b>1,162</b>	(195)
Income tax expense/(credit)	<b>54,672</b>	(342,185)

### (a) Cayman Islands and British Virgin Islands (“BVI”) 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 accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

### 10 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

#### (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 31 December 2021 and 2020.

#### (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 31 December 2021 and 2020, 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 31 December 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”), Xinjiang Wanxing Information Technology Co., Ltd. (“Xinjiang Wanxing”) and Xinjiang Wanhong Information Technology Co., Ltd. (“Xinjiang Wanhong”) 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 1 January 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 31 December 2021 and 2020, 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.

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Weighted average number of issued ordinary shares	<b>6,336,248,063</b>	6,296,908,052
Less: shares held for restricted share scheme	<b>(1,476,845)</b>	(1,589,564)
Weighted average number of issued ordinary shares for calculating basic profit/(loss) per share	<b>6,334,771,218</b>	6,295,318,488
Profit/(Loss) attributable to owners of the Company for calculating basic profit/(loss) per share (RMB'000)	<b>28,953</b>	(1,155,749)
Diluted impact on profit/(loss) (RMB'000)	-	-
Profit/(Loss) attributable to owners of the Company for calculating diluted profit/(loss) per share (RMB'000)	<b>28,953</b>	(1,155,749)
Numbers of restricted shares with potential dilutive effect (Note (b)(c))	<b>255,768,702</b>	-
Weighted average number of issued ordinary shares for calculating diluted profit/(loss) per share (Note (b))	<b>6,590,539,920</b>	6,295,318,488
Profit/(Loss) per share		
– Basic (RMB per share)	<b>0.005</b>	(0.184)
– Diluted (RMB per share)	<b>0.004</b>	(0.184)

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 31 December 2021 and 2020, 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 24).
- (b) For the year ended 31 December 2021, a calculation was 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 was 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 31 December 2020, 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 31 December 2020 were the same as basic loss per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 1 January 2021						
Cost	453,347	59,691	12,879	24,199	12,437	562,553
Accumulated depreciation	(14,716)	(38,206)	(3,644)	(15,985)	(5,058)	(77,609)
Net book amount	438,631	21,485	9,235	8,214	7,379	484,944
For the year ended 31 December 2021						
Opening net book amount	438,631	21,485	9,235	8,214	7,379	484,944
Additions	334	5,809	8,980	951	256	16,330
Disposals	-	(172)	(4,751)	(6,492)	(2,808)	(14,223)
Depreciation charge	(13,616)	(11,894)	(2,865)	(2,673)	(1,889)	(32,937)
Closing net book amount	425,349	15,228	10,599	-	2,938	454,114
As at 31 December 2021						
Cost	453,681	63,391	15,937	1,960	7,536	542,505
Accumulated depreciation	(28,332)	(48,163)	(5,338)	(1,960)	(4,598)	(88,391)
Net book amount	425,349	15,228	10,599	-	2,938	454,114



**12 PROPERTY AND EQUIPMENT (CONTINUED)**

	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 1 January 2020						
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
For the year ended 31 December 2020						
Opening net book amount	27,380	32,066	8,501	29,496	10,937	108,380
Additions	425,967	3,528	7,287	283	803	437,868
Disposals	-	(1,254)	(3,757)	(12,962)	(2,623)	(20,596)
Depreciation charge	(14,716)	(12,855)	(2,796)	(8,603)	(1,738)	(40,708)
Closing net book amount	438,631	21,485	9,235	8,214	7,379	484,944
As at 31 December 2020						
Cost	453,347	59,691	12,879	24,199	12,437	562,553
Accumulated depreciation	(14,716)	(38,206)	(3,644)	(15,985)	(5,058)	(77,609)
Net book amount	438,631	21,485	9,235	8,214	7,379	484,944

Depreciation expenses have been charged to the consolidated income statement as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of revenues	<b>2,673</b>	8,603
Selling and marketing expenses	<b>11,232</b>	9,020
Administrative expenses	<b>17,109</b>	18,922
Research and development expenses	<b>1,923</b>	4,163
	<b>32,937</b>	40,708

### 13 LEASES

#### (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<b>As at</b>	
	<b>31 December</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Right-of-use assets</b>		
Properties	<b>20,386</b>	24,619
<b>Lease liabilities</b>		
Current	<b>11,082</b>	11,263
Non-current	<b>7,616</b>	10,937
	<b>18,698</b>	22,200

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB8,899,000 (2020: RMB1,725,000).

#### (b) Amounts recognised in the income statement

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Properties	<b>13,132</b>	12,064
Interest expenses (included in finance expenses)	<b>1,081</b>	1,307
Expense relating to short-term leases (included in administrative expenses, selling and marketing expenses, and research and development expenses)	<b>1,170</b>	7,510

The total cash outflow for leases in 2021 was RMB14,504,000 (2020: RMB14,226,000).

## 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 1 January 2021						
Cost	105,631	43,966	12,828	26,711	2,344,363	2,533,499
Accumulated amortization	-	(14,289)	(5,755)	(10,178)	(780,385)	(810,607)
Net book amount	105,631	29,677	7,073	16,533	1,563,978	1,722,892
For the year ended 31 December 2021						
Opening net book amount	105,631	29,677	7,073	16,533	1,563,978	1,722,892
Additions	-	-	-	1,701	-	1,701
Disposal	-	-	-	(442)	-	(442)
Amortization charge	-	(3,696)	(1,283)	(3,210)	(341,644)	(349,833)
Closing net book amount	105,631	25,981	5,790	14,582	1,222,334	1,374,318
As at 31 December 2021						
Cost	105,631	43,966	12,828	27,822	2,344,363	2,534,610
Accumulated amortization	-	(17,985)	(7,038)	(13,240)	(1,122,029)	(1,160,292)
Net book amount	105,631	25,981	5,790	14,582	1,222,334	1,374,318

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INTANGIBLE ASSETS (CONTINUED)

	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 1 January 2020						
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
For the year ended 31 December 2020						
Opening net book amount	105,631	29,704	8,356	20,764	1,825,623	1,990,078
Additions	-	3,640	-	1,866	-	5,506
Disposal	-	(205)	-	(2,197)	-	(2,402)
Amortization charge	-	(3,462)	(1,283)	(3,900)	(261,645)	(270,290)
Closing net book amount	105,631	29,677	7,073	16,533	1,563,978	1,722,892
As at 31 December 2020						
Cost	105,631	43,966	12,828	26,711	2,344,363	2,533,499
Accumulated amortization	-	(14,289)	(5,755)	(10,178)	(780,385)	(810,607)
Net book amount	105,631	29,677	7,073	16,533	1,563,978	1,722,892

Note:

(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 31 December 2021, 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.

	As at 31 December 2021 RMB'000	2020 RMB'000
Transaction Platform Business		
– KKC	104,263	104,263
– Others	1,368	1,368
	<b>105,631</b>	105,631

## 14 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

As at 31 December 2021, the goodwill impairment test was performed at operating segment level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 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 19.3% (2020: 18.5%) for a five-year period, and (ii) discount rate, which is 24.3% (2020: 24.1%). The estimated growth rate used in the value-in-use calculations for period beyond the five-year period is 2.5% (2020:3.0%).

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 pre-tax interest rate that is able to reflect the risks. The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

As at 31 December 2021, the directors are of the view that there was no impairment on the goodwill.

As at 31 December 2021, 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 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	2,546	2,555
Selling and marketing expenses	341,983	262,011
Administrative expenses	4,610	5,660
Research and development expenses	694	64
	<b>349,833</b>	270,290

## 15 INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investments in associates:		
Associates using equity accounting (a)	605,103	461,973
Associates measured at fair value through profit or loss (b)	56,000	–
	<b>661,103</b>	461,973

**15 INVESTMENTS IN ASSOCIATES (CONTINUED)**
**(a) Associates using equity accounting**

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of the year	<b>461,973</b>	15,546
Additions (i)	<b>255,000</b>	475,000
Share of losses of associates	<b>(15,446)</b>	(28,573)
Impairment provision (ii)	<b>(96,415)</b>	–
Currency translation differences	<b>(9)</b>	–
At end of the year	<b>605,103</b>	461,973

Note:

- (i) During the year ended 31 December 2021, the Group invested RMB245,000,000 to establish Qingdao Caitong Yixin Financial Leasing Co., Ltd. ("Qingdao Caitong Yixin") with Qingdao Caitong Group Co., Ltd. in the Qingdao Free Trade Zone. The Group holds 49% of the shares and two of the five board seats, which has significant influence over Qingdao Caitong Yixin. Qingdao Caitong Yixin is principally engaged in providing financial leasing services.
- (ii) Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position, business performance and market capitalisation. The Group carries out impairment assessment on those investments with impairment indications, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

In respect of the recoverable amount using value in use, the discounted cash flows calculations were based on cash flow projections estimated by management and the key assumptions adopted in these cash flow projections include revenue growth rate, profit margins and discount rate. The pre-tax discount rates adopted is 23.9%. In respect of the recoverable amount based on fair value less costs of disposal, the fair value less costs of disposal was calculated using certain key valuation assumptions including the selection of comparable companies, recent market transactions and liquidity discount for lack of marketability.

As a result, the Group made an impairment provision of approximately RMB96 million (2020: nil) against the carrying amounts of certain investment in an associate during the year ended 31 December 2021. The impairment provision mainly resulted from revision of financial/business outlook of the associate and changes in the market environment of the underlying business.

As at 31 December 2021, the Group invested in three associates using equity accounting. In the opinion of the directors of the Company, none of the associates is material to the Group.

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Aggregate carrying amount of individually immaterial associates	<b>605,103</b>	461,973
Aggregate amounts of the Group's share of:		
Losses from continuing operations	<b>(15,446)</b>	(28,573)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive losses	<b>(15,446)</b>	(28,573)

**15 INVESTMENTS IN ASSOCIATES (CONTINUED)**
**(b) Associates measured at fair value through profit or loss**

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of the year	–	–
Addition	<b>56,000</b>	–
At end of the year	<b>56,000</b>	–

**16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of the year (a)	<b>2,568,860</b>	2,550,085
Additions	<b>85,000</b>	160,298
Disposals	<b>(5,087)</b>	–
Fair value gain	<b>397,523</b>	444
Currency translation differences	<b>(50,425)</b>	(141,967)
At end of the year (a)	<b>2,995,871</b>	2,568,860

Note:

- (a) The Company and Yusheng Holdings Limited (“Yusheng”) entered into the Convertible Note Purchase Agreements in relation to the Company’s investments in Yusheng by way of subscription of the Convertible Note.

<b>Subscription date</b>	<b>Principal amount</b>	<b>Conversion Right</b>	<b>Number of shares convertible into</b>
13 June 2018	USD 260,000,000	Convertible into non-voting	13,000,000
15 November 2019	USD 43,000,000	Series pre-A preferred shares	2,150,000
18 December 2020	RMB 80,000,000	Convertible into non-voting	549,000
		Series B preferred shares	

For the year ended 31 December 2021, the Group recognised fair value gain RMB397,523,000 (2020: RMB444,000) against the carrying amount of its investments in the investee companies, respectively, based on results of the fair value assessment.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Assets as per balance sheet</b>		
Financial assets at fair value through profit or loss:		
– Long-term investments (Note 16)	2,995,871	2,568,860
Financial assets at amortized cost:		
– Finance receivables (Note 18)	11,109,198	12,771,860
– Trade receivables (Note 19)	2,632,564	1,750,667
– Deposits and other receivables	1,812,091	1,486,242
– Restricted cash (Note 21(b))	2,468,616	2,596,859
– Cash and cash equivalents (Note 21(a))	3,051,720	2,711,558
	<b>24,070,060</b>	<b>23,886,046</b>

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Liabilities as per balance sheet</b>		
Financial liabilities at amortized cost:		
– Borrowings (Note 27)	9,422,403	10,147,383
– Trade payables (Note 25)	537,616	317,760
– Other payables (excluding advance from customers, staff costs and welfare accruals, tax payable, deferred revenue and other accruals)	548,111	541,690
– Other non-current liabilities (excluding deferred revenue) (Note 29)	28,244	92,312
Risk assurance liabilities	651,958	277,457
Lease liabilities (Note 13)	18,698	22,200
	<b>11,207,030</b>	<b>11,398,802</b>



## 18 FINANCE RECEIVABLES

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at 31 December 2021 and 2020 are as below:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Finance receivables		
– Finance receivables, gross	<b>12,738,754</b>	14,417,257
– Unearned finance income	<b>(1,228,125)</b>	(1,144,837)
Finance receivables, net	<b>11,510,629</b>	13,272,420
Less: provision for expected credit losses	<b>(401,431)</b>	(500,560)
Carrying amount of finance receivables	<b>11,109,198</b>	12,771,860
Finance receivables, gross		
– Within one year	<b>6,773,483</b>	10,089,734
– After one year but not more than five years	<b>5,965,271</b>	4,327,523
	<b>12,738,754</b>	14,417,257
Finance receivables, net		
– Within one year	<b>5,939,789</b>	9,193,534
– After one year but not more than five years	<b>5,570,840</b>	4,078,886
Total	<b>11,510,629</b>	13,272,420

The following table sets forth the carrying amount of finance receivables by major categories:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Finance receivables:		
– Individual customers	<b>10,764,203</b>	12,340,594
– Auto dealers	<b>344,995</b>	431,266
	<b>11,109,198</b>	12,771,860

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 FINANCE RECEIVABLES (CONTINUED)

Movements on the Group's provision for expected credit losses of finance receivables are as follows:

	Year ended 31 December 2021			
	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Opening balance at 1 January 2021	167,519	131,744	201,297	500,560
Provision for impairment	108,318	(87,136)	358,134	379,316
Reversal of impairment	-	-	(258,583)	(258,583)
Transfer for the period:				
<i>Conversion to Stage I</i>	271	(195)	(76)	-
<i>Conversion to Stage II</i>	(11,039)	11,256	(217)	-
<i>Conversion to Stage III</i>	(76,782)	(25,955)	102,737	-
Asset derecognised (including final repayment)	-	-	258,583	258,583
Write-off	-	-	(478,445)	(478,445)
Ending balance at 31 December 2021	188,287	29,714	183,430	401,431

	Year ended 31 December 2020			
	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Opening balance at 1 January 2020	175,605	233,587	270,535	679,727
Provision for impairment	902,300	528,345	304,699	1,735,344
Reversal of impairment	-	-	(119,264)	(119,264)
Transfer for the period:				
<i>Conversion to Stage I</i>	196	(131)	(65)	-
<i>Conversion to Stage II</i>	(121,675)	122,739	(1,064)	-
<i>Conversion to Stage III</i>	(788,907)	(752,796)	1,541,703	-
Asset derecognised (including final repayment)	-	-	119,264	119,264
Write-off	-	-	(1,914,511)	(1,914,511)
Ending balance at 31 December 2020	167,519	131,744	201,297	500,560

19 TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>2,765,384</b>	1,879,042
Less: provision for impairment	<b>(132,820)</b>	(128,375)
Trade receivables, net	<b>2,632,564</b>	1,750,667
Trade receivables, net	<b>2,632,564</b>	1,750,667
– Within one year	<b>1,890,033</b>	1,261,970
– After one year but not more than five years	<b>742,531</b>	488,697

- (a) An aging analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Up to 3 months	<b>2,619,834</b>	1,709,039
3 to 6 months	<b>5,443</b>	34,592
Over 6 months	<b>7,287</b>	7,036
	<b>2,632,564</b>	1,750,667

As at 31 December 2021 and 2020, 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:

	<b>Provision for impairment</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
At 1 January	<b>128,375</b>	97,398
Charge for the year	<b>5,893</b>	30,988
Reverse	<b>(1,000)</b>	–
Write off	<b>(448)</b>	(11)
At 31 December	<b>132,820</b>	128,375

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Included in non-current assets:</b>		
Vehicles collected from financing lease customers	160,150	330,255
Deposits	94,047	64,021
Prepayment for a capital investment	17,500	–
Long-term prepaid expense	3,470	4,950
Others	75	16,849
	<b>275,242</b>	416,075
Less: provision for impairment of vehicles collected from financing lease customers	<b>(82,782)</b>	(218,565)
	<b>192,460</b>	197,510
<b>Included in current assets:</b>		
Other receivables from third parties	573,027	368,246
Loans to third parties (a)	293,178	140,475
Deposits	290,924	266,338
Other receivables from disposal of assets	270,403	115,947
Loans recognized as a result of payment under risk assurance	302,035	211,537
Prepaid taxes	91,431	78,769
Other receivables from related parties	61,310	237,897
Prepayments	17,679	28,732
Loans to related parties	19,000	41,000
Others	112,274	120,495
	<b>2,031,261</b>	1,609,436
Less: provision for impairment of other receivables (Note 3.1(b))	<b>(203,739)</b>	(77,751)
	<b>1,827,522</b>	1,531,685
<b>Total</b>	<b>2,019,982</b>	1,729,195

Note:

- (a) The loans to third parties are arranged to be recovered by the end of December 2022 given the business terms. As at 31 December 2021, the applicable interest rates on loans to third parties are from 6.00% to 10.00% per annum.

## 20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (CONTINUED)

As at 31 December 2021 and 2020, 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 31 December 2021 and 2020, there are no significant balances that are past due.

	Provision for impairment	
	2021	2020
	RMB'000	RMB'000
As at 1 January	296,316	156,000
Provision for impairment	217,506	201,028
Recovery of write-off	3,303	–
Reversal of provision provided in relation to the recovery of write-off	(3,303)	–
Write-off	(227,301)	(60,712)
As at 31 December	286,521	296,316

## 21 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	3,051,720	2,711,558

As at 31 December 2021 and 2020, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
US\$	189,501	12,109
HK\$	235,033	12,513
RMB	2,627,186	2,686,936
	3,051,720	2,711,558

**21 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.

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Cash pledged for loan facilitation services (a)	<b>1,596,131</b>	1,171,388
Term deposits pledged for bank borrowings (b)	<b>440,763</b>	1,070,112
Cash deposited for borrowings (c)	<b>16,530</b>	11,609
Others	<b>415,192</b>	343,750
	<b>2,468,616</b>	2,596,859
Of which are:		
Current restricted cash	<b>2,398,413</b>	2,529,500
Non-current restricted cash	<b>70,203</b>	67,359

Notes:

- (a) The balance represents the deposits placed with banks for the Group's loan facilitation services. Such balance is restricted from withdrawal by the Group.
- (b) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings (Note 27).
- (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 of the Group. Such balance is restricted from withdrawal by the Group.

## 21 CASH AND BANK BALANCES (CONTINUED)

### (b) Restricted cash (Continued)

As at 31 December 2021 and 2020, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
US\$	8	345,615
HK\$	295,644	597,564
RMB	2,172,964	1,653,680
	<b>2,468,616</b>	2,596,859

As at 31 December 2021, the applicable interest rates per annum on restricted cash ranged from 0.00% to 2.75% (2020: 0.01% to 2.75%).

## 22 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
<b>Authorized:</b>				
<b>As at 1 January and 31 December 2021</b>	15,000,000,000	1,500	-	-
<b>As at 1 January and 31 December 2020</b>	15,000,000,000	1,500	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 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
<b>Issued:</b>					
<b>At 1 January 2021</b>		<b>6,376,600,363</b>	<b>629</b>	<b>4,182</b>	<b>34,882,666</b>
Newly issued ordinary shares		140,415,149	–	–	–
Release of ordinary shares from Share Scheme Trusts	(a)	–	1	9	47,972
Shares issued upon exercise of employee share options	(b)	2,034,500	–	1	7,291
Vesting of restricted awarded shares	(c)	–	2	12	38,151
<b>As at 31 December 2021</b>		<b>6,519,050,012</b>	<b>632</b>	<b>4,204</b>	<b>34,976,080</b>
<b>At 1 January 2020</b>		<b>6,373,685,048</b>	<b>625</b>	<b>4,148</b>	<b>34,739,193</b>
Release of ordinary shares from Share Scheme Trusts	(a)	–	2	17	87,411
Shares issued upon exercise of employee share options	(b)	2,915,315	–	2	10,450
Vesting of restricted awarded shares	(c)	–	2	15	45,612
<b>As at 31 December 2020</b>		<b>6,376,600,363</b>	<b>629</b>	<b>4,182</b>	<b>34,882,666</b>

### Notes:

- (a) On 12 October 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 31 December 2021, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834 (2020: 111,700,834), after giving effect to the Capitalization Issue. 110,090,834 (2020: 96,704,327) ordinary shares held by Share Scheme Trusts are issued and outstanding.
- (b) During the year ended 31 December 2021, 2,034,500 pre-IPO share options with exercise price of US\$0.0014 were exercised.
- (c) During the year ended 31 December 2021, 21,653,396 (2020: 26,106,259) ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares (Note 24).



## 23 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
<b>At 1 January 2021</b>		(431,554)	88,410	1,128,336	(1,388)	187,622	971,426
Currency translation differences		-	-	-	-	(46,747)	(46,747)
Share-based compensation	24	-	-	131,020	-	-	131,020
Release of ordinary shares from Share Scheme Trusts	24	-	-	(47,861)	-	-	(47,861)
Shares issued upon exercise of employee share options		-	-	(7,274)	-	-	(7,274)
Vesting of restricted awarded shares		-	-	(43,662)	5,499	-	(38,163)
Purchase of restricted shares under share award scheme	24	-	-	-	(5,015)	-	(5,015)
Appropriation to statutory reserves		-	10,000	-	-	-	10,000
<b>At 31 December 2021</b>		(431,554)	98,410	1,160,559	(904)	140,875	967,386
<b>At 1 January 2020</b>		(431,554)	88,404	1,173,384	(1,889)	310,025	1,138,370
Currency translation differences		-	-	-	-	(122,403)	(122,403)
Share-based compensation	24	-	-	105,043	-	-	105,043
Release of ordinary shares from Share Scheme Trusts	24	-	-	(87,189)	-	-	(87,189)
Shares issued upon exercise of employee share options		-	-	(10,423)	-	-	(10,423)
Vesting of restricted awarded shares		-	-	(52,479)	6,852	-	(45,627)
Purchase of restricted shares under share award scheme	24	-	-	-	(6,351)	-	(6,351)
Appropriation to statutory reserves		-	6	-	-	-	6
<b>At 31 December 2020</b>		(431,554)	88,410	1,128,336	(1,388)	187,622	971,426

## 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.

## 24 SHARE-BASED PAYMENTS

The total expenses recognized in the consolidated income statement for share-based awards granted to the Group's employees are RMB131,020,000 for the year ended 31 December 2021 (2020: RMB105,043,000).

### (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:

	<b>Number of share options</b>	
	<b>2021</b>	<b>2020</b>
Outstanding as at 1 January	<b>251,766,880</b>	303,617,740
Exercised during the year	<b>(15,421,006)</b>	(27,302,782)
Forfeited during the year	<b>(266,526)</b>	(234,507)
Cancelled during the year	-	(24,313,571)
Outstanding as at 31 December	<b>236,079,348</b>	251,766,880
Exercisable as at 31 December	<b>235,379,348</b>	218,759,576

## 24 SHARE-BASED PAYMENTS (CONTINUED)

### (a) Shares options granted to employees under the Pre-IPO Share Option Scheme (Continued)

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted an equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors using their best estimates.

Based on the fair value of the underlying ordinary shares, the directors have used a Binomial option-pricing model to determine the fair value of the share options as at the grant date. Key assumptions are set as below:

	3 July 2017	1 October 2017
Fair value per share	<b>US\$3.70</b>	<b>US\$4.90</b>
Exercise price	<b>US\$0.01</b>	<b>US\$0.01</b>
Risk-free interest rate	<b>2.50%</b>	<b>2.46%</b>
Dividend yield	<b>0.00%</b>	<b>0.00%</b>
Expected volatility	<b>51%</b>	<b>56%</b>
Expected terms	<b>10 years</b>	<b>10 years</b>
Weighted-average remaining contractual life	<b>5.5 years</b>	<b>5.75 years</b>
Weighted-average fair value per option granted	<b>US\$3.69</b>	<b>US\$4.89</b>
Weighted-average fair value per option granted (after the effect of the Capitalization Issue)	<b>US\$0.53</b>	<b>US\$0.70</b>

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. Before IPO, the directors have only granted two batches of share options to employees under the Pre-IPO Share Option Scheme.

**24 SHARE-BASED PAYMENTS (CONTINUED)**
**(b) Restricted share 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.

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 1 January 2021	46,290,072	USD0.29
Granted during the year	187,573,627	USD0.28
Vested and sold during the year	(21,653,396)	USD0.30
Forfeited during the year	(4,830,578)	USD0.27
Outstanding as at 31 December 2021	207,379,725	USD0.28
Vested as at 31 December 2021	74,705,925	USD0.30
Outstanding as at 1 January 2020	75,610,787	USD0.29
Granted during the year	5,400,000	USD0.34
Vested and sold during the year	(26,106,259)	USD0.30
Forfeited during the year	(8,614,456)	USD0.31
Outstanding as at 31 December 2020	46,290,072	USD0.29
Vested as at 31 December 2020	53,052,531	USD0.30

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.

## 24 SHARE-BASED PAYMENTS (CONTINUED)

### (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 31 December 2021, the Expected Retention Rate for the Group’s directors, senior management members, and other employees was assessed to be 100%, 100% and 91%, respectively (31 December 2020: 100%, 100% and 91%)

## 25 TRADE PAYABLES

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB’000</b>	RMB’000
Trade payables	<b>537,616</b>	317,760

An aging analysis of trade payables based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB’000</b>	RMB’000
Up to 3 months	<b>503,482</b>	207,322
3 to 6 months	<b>7,338</b>	14,061
6 months to 1 year	<b>4,347</b>	16,135
Over 1 year	<b>22,449</b>	80,242
	<b>537,616</b>	317,760

**26 OTHER PAYABLES AND ACCRUALS**

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Deposits payable	<b>199,586</b>	193,375
Other payables to related parties	<b>171,702</b>	58,693
Accrued expenses	<b>122,806</b>	42,898
Advances from customers	<b>122,205</b>	93,406
Staff costs and welfare accruals	<b>118,409</b>	67,163
Deferred other income – current (Note 29(a))	<b>87,287</b>	85,570
Tax payable	<b>61,031</b>	55,349
Interest payable	<b>41,067</b>	78,128
Others	<b>135,756</b>	211,494
	<b>1,059,849</b>	886,076

As at 31 December 2021 and 2020, the carrying amounts of the Group's other payables and accruals, excluding advances from customers, staff costs and welfare accruals, tax payable, deferred revenue and other accruals, approximate their fair values at each of the reporting date.

## 27 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Included in non-current liabilities:</b>		
Pledged borrowings (a)	1,531,218	180,087
Asset-backed securitization debt (b)	605,826	340,697
Other secured borrowings (c)	1,196,216	946,306
Unsecured borrowings (d)	133,913	94,710
	<b>3,467,173</b>	1,561,800
<b>Included in current liabilities:</b>		
Pledged borrowings (a)	464,988	1,226,042
Asset-backed securitization debt (b)	1,817,309	2,348,286
Other secured borrowings (c)	2,769,878	4,385,544
Unsecured borrowings (d)	903,055	625,711
	<b>5,955,230</b>	8,585,583
<b>Total borrowings</b>	<b>9,422,403</b>	10,147,383

## Notes:

- (a) The pledge borrowings are collateralized by a pledge of term deposits with carrying values of RMB440,763,000 (2020: RMB1,070,095,000) and the Group's finance receivables amounting to RMB1,427,602,000 (2020: RMB291,894,000) as at 31 December 2021.
- (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 subscribe for 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 as 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 31 December 2021, the carrying amount of finance receivables that were collateralized in securitization transactions was RMB2,662,684,000 (2020: RMB3,773,042,000).
- (c) As at 31 December 2021, borrowings amounting to RMB3,966,094,000 (2020: RMB5,331,850,000) are secured by the cash proceeds of certain of the Group's finance receivables. As at 31 December 2021, the finance receivables amounting to RMB4,046,875,000 (2020: RMB5,333,068,000) are used as pledge for such borrowings.
- (d) As at 31 December 2021, borrowings amounting to RMB976,589,000 (2020: RMB689,080,000) are guaranteed by the Company and its certain subsidiaries; and borrowings amounting to RMB60,379,000 (2020: RMB31,341,000) are unsecured loans.

## 27 BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	5,955,230	8,585,583
Between 1 and 2 years	1,695,558	1,172,814
Between 2 and 5 years	1,714,015	308,186
Over 5 years	57,600	80,800
	<b>9,422,403</b>	10,147,383

As at 31 December 2021, the applicable interest rates on long-term borrowings range from 4.05% to 9.00% (2020: 4.80% to 9.00%) per annum.

As at 31 December 2021 the applicable interest rates on short-term borrowings range from 3.22% to 8.00% (2020: 3.10% to 9.50%) per annum.

As at 31 December 2021 and 2020, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates. Risk exposure are set out in note 3.1.

## 28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Deferred income tax assets:</b>		
– To be recovered within 12 months	749,321	702,195
<b>Deferred income tax liabilities:</b>		
– To be recovered after 12 months	(96,692)	(3,196)
– To be recovered within 12 months	(146)	(256)
	<b>(96,838)</b>	(3,452)
<b>Deferred income tax assets, net</b>	<b>652,483</b>	698,743



**28 DEFERRED INCOME TAX (CONTINUED)**

The gross movements on the deferred income tax account are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>At 1 January</b>	<b>698,743</b>	420,942
Credited to consolidated income statement	<b>(46,260)</b>	278,711
Acquisition of a subsidiary	-	(910)
<b>At the end of the year</b>	<b>652,483</b>	698,743

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**

	<b>Fair value gain on financial assets</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2021	<b>(2,353)</b>	<b>(1,099)</b>	<b>(3,452)</b>
(Charged)/Credited to consolidated income statement	<b>(93,641)</b>	<b>255</b>	<b>(93,386)</b>
At 31 December 2021	<b>(95,994)</b>	<b>(844)</b>	<b>(96,838)</b>
At 1 January 2020	(2,353)	(384)	(2,737)
Credited to consolidated income statement	-	195	195
Acquisition of a subsidiary	-	(910)	(910)
At 31 December 2020	(2,353)	(1,099)	(3,452)

**28 DEFERRED INCOME TAX (CONTINUED)**
**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 1 January 2021	424,641	41,156	121,183	115,215	702,195
(Charged)/Credited to consolidated income statement	(92,416)	1,142	35,618	102,782	47,126
At 31 December 2021	<b>332,225</b>	<b>42,298</b>	<b>156,801</b>	<b>217,997</b>	<b>749,321</b>
At 1 January 2020	358,852	28,050	9,235	27,542	423,679
Credited to consolidated income statement	65,789	13,106	111,948	87,673	278,516
At 31 December 2020	424,641	41,156	121,183	115,215	702,195

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 31 December 2021, the Group did not recognize deferred income tax assets of RMB38,080,000 (2020: RMB19,437,000) in respect of cumulative tax losses amounting to RMB167,188,000 (2020: RMB92,614,000) that can be carried forward against future taxable income. The tax losses applicable to Hong Kong tax law can be carried forward indefinitely, and the remaining tax losses will expire from 2022 to 2026.

## 29 OTHER NON-CURRENT LIABILITIES

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Deferred other income (a)	<b>932,107</b>	1,108,209
Long-term deposits payable	<b>13,138</b>	1,286
Other liabilities	<b>15,106</b>	91,026
	<b>960,351</b>	1,200,521

Note:

- (a) On 31 June 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 income and other gains, net" on the consolidated income statements.

**30 CASH FLOW INFORMATION**
**(a) Cash used in operations**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit/(Loss) before income tax</b>	<b>83,625</b>	(1,497,934)
Adjustments for:		
– Provision for impairment of trade receivables (Note 19)	<b>4,893</b>	30,988
– Provision for expected credit losses of finance receivables (Note 18)	<b>120,733</b>	1,616,080
– Provision for impairment of other receivables (Note 20)	<b>150,734</b>	87,224
– Provision for impairment of other non-current assets (Note 20)	<b>63,469</b>	113,804
– Provision for impairment losses of risk assurance	<b>10,016</b>	77,978
– Depreciation of automobiles for operating leases (Note 12)	<b>2,673</b>	8,603
– Depreciation of other property and equipment (Note 12)	<b>30,264</b>	32,105
– Amortization of intangible assets (Note 14)	<b>349,833</b>	270,290
– Amortization of right-of-use assets (Note 13)	<b>13,132</b>	12,064
– Loss on disposals of property and equipment	<b>1,148</b>	5,544
– Share-based compensations (Note 24)	<b>131,020</b>	105,043
– Fair value gain of financial assets at fair value through profit or loss (Note 16)	<b>(397,523)</b>	(444)
– Share of losses of investments accounted for using the equity method	<b>15,446</b>	28,573
– Impairment loss on investment in an associate	<b>96,415</b>	–
– Interest income (Note 9)	<b>(54,069)</b>	(36,387)
– Interest expenses (Note 9)	<b>57,180</b>	24,637
– Funding costs (Note 7)	<b>498,877</b>	1,055,362
– Foreign exchange losses, net (Note 6)	<b>5,705</b>	(7,115)
– Decrease in Automobiles for operating leases	<b>5,183</b>	12,679
– Increase in trade receivables	<b>(632,956)</b>	(236,055)
– Decrease in finance receivables	<b>1,541,928</b>	12,463,621
– Increase in prepayments, deposits and other assets	<b>(773,234)</b>	(407,648)
– Increase in other operational restricted cash	<b>(447,035)</b>	(833,307)
– Increase/(Decrease) in trade payables	<b>221,552</b>	(151,801)
– Increase/(Decrease) in other payables and accruals	<b>572,411</b>	(282,753)
– Decrease in other non-current liabilities	<b>(213,589)</b>	(203,951)
<b>Cash generated from operations</b>	<b>1,457,831</b>	12,287,200

### 30 CASH FLOW INFORMATION (CONTINUED)

#### (b) Major non-cash transactions

There were no material non-cash transactions for the year ended 31 December 2021 (2020: nil).

#### (c) Net Debt Reconciliation

	Liabilities from financing activities			Subtotal RMB'000	Cash and cash equivalents and restricted cash RMB'000	Total RMB'000
	Borrowings RMB'000	Lease liabilities RMB'000	Loans due to related parties RMB'000			
<b>As at 1 January 2021</b>	<b>(10,147,383)</b>	<b>(22,200)</b>	<b>-</b>	<b>(10,169,583)</b>	<b>5,308,417</b>	<b>(4,861,166)</b>
Cash flows	737,400	12,401	-	749,801	225,851	975,652
Other non-cash movements	(12,420)	(8,899)	-	(21,319)	-	(21,319)
Foreign exchange adjustments	-	-	-	-	(13,932)	(13,932)
<b>As at 31 December 2021</b>	<b>(9,422,403)</b>	<b>(18,698)</b>	<b>-</b>	<b>(9,441,101)</b>	<b>5,520,336</b>	<b>(3,920,765)</b>
<b>As at 1 January 2020</b>	<b>(19,840,169)</b>	<b>(29,380)</b>	<b>(300,000)</b>	<b>(20,169,549)</b>	<b>3,494,144</b>	<b>(16,675,405)</b>
Cash flows	9,738,688	8,904	300,000	10,047,592	1,809,538	11,857,130
Other non-cash movements	(45,902)	(1,724)	-	(47,626)	-	(47,626)
Foreign exchange adjustments	-	-	-	-	4,735	4,735
<b>As at 31 December 2020</b>	<b>(10,147,383)</b>	<b>(22,200)</b>	<b>-</b>	<b>(10,169,583)</b>	<b>5,308,417</b>	<b>(4,861,166)</b>

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 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) Major shareholders

Name	Type	Place of incorporation	Ownership interest	
			2021	2020
Tencent Group	Major shareholder	Cayman Islands and Hong Kong	54.24%	71.67%
Bitauto Holdings Limited, together with its subsidiary, Bitauto Hong Kong Limited	Major shareholder	Cayman Islands and Hong Kong, respectively	–	43.70%

#### (b) Names and relationships with related parties

Company	Relationship
Bitauto Holdings Limited and its subsidiaries	Major shareholder and its subsidiaries
Dalian Rongxin	Associate
Beijing Anxinbao Insurance Brokerage Co., Ltd.	Associate
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Suqian Yunhan Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Cloud Computing (Beijing) Company Limited	Subsidiary of a major shareholder
Tenpay Payment Technology Co., Ltd.	Subsidiary of a major shareholder

**31 RELATED PARTY TRANSACTIONS (CONTINUED)**
**(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):

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(i) Provision of business support services in accordance with business cooperation framework agreement</b>		
Dalian Rongxin	25,000	–
<b>(ii) Provision of transaction services in accordance with advertising and data services agreements</b>		
Bitauto Group	–	47,170
<b>(iii) Provision of financial services in accordance with automobile leasing agreement</b>		
Bitauto Group	246	–
<b>(iv) Purchases of advertising and other services from related parties</b>		
Bitauto Group	55,925	4,330
<b>(v) Purchases of used car valuation services in accordance with used auto services agreements</b>		
Bitauto Group	20,874	9,862
<b>(vi) Purchases of data services and traffic support services from related parties</b>		
Tencent Cloud Computing (Beijing) Company Limited	2,057	1,612
Suqian Yunhan Information Technology Co., Ltd.	30,470	5,086
	<b>32,527</b>	<b>6,698</b>
<b>(vii) Purchase of payment services in accordance with payment services framework agreements</b>		
Tenpay Payment Technology Co., Ltd.	2,827	5,741
<b>(viii) Purchase of promotional materials from a related party</b>		
Beijing Jingdong Century Information Technology Co., Ltd.	1,939	1,226

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 26 May 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

**31 RELATED PARTY TRANSACTIONS (CONTINUED)**

**(d) Year end balances with related parties**

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(i) Trade receivables due from related parties</b>		
Dalian Rongxin	<b>26,500</b>	–
Bitauto Group	–	188,017
	<b>26,500</b>	188,017
<b>(ii) Other receivables due from related parties</b>		
Dalian Rongxin	<b>61,190</b>	188,077
Bitauto Group	–	49,800
	<b>61,190</b>	237,877
<b>(iii) Trade and other payables due to related parties for goods and services</b>		
Bitauto Group	<b>12,837</b>	66,812
Suqian Yunhan Information Technology Co., Ltd.	<b>3,531</b>	–
	<b>16,368</b>	66,812

Except for the related parties transactions disclosed under Note 31(f) and (g), balances with other related parties were all unsecured, interest-free, and repayable on demand.



**31 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 compensation paid or payable to key management for employee services is shown in Note 8(a).

**(f) Loans from Bitauto Group**

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	-	301,295
Loans advanced	-	300,000
Loans repayment made	-	(600,000)
Interest charged	-	11,096
Interest paid	-	(12,391)
Currency translation differences	-	-
<b>At 31 December</b>	-	-
Including: Principal of loans	-	-
Accrued interests	-	-

**(g) Loan to a related party**

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Beijing Anxinbao Insurance Brokerage Co., Ltd.	-	22,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director for the year ended 31 December 2021 is set out as below:

Name	Fees RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
<b>Executive Director</b>						
Xuan Zhang	-	2,994	-	68	12,445	15,507
Dong Jiang	-	1,756	639	121	11,166	13,682
<b>Non-executive Directors</b>						
Huan Zhou (retired in May 2021)	-	-	-	-	-	-
Jimmy Chi Ming Lai (resigned in May 2021)	-	-	-	-	-	-
Yun Ming Cheng Matthew (appointed in May 2021)	-	-	-	-	-	-
Jun Yang (appointed in May 2021)	-	-	-	-	-	-
Amanda Chi Yan Chau (appointed in May 2021)	-	-	-	-	-	-
Chenkai Ling (resigned in December 2021)	-	-	-	-	-	-
Qin Miao (appointed in December 2021)	-	-	-	-	-	-
<b>Independent non-executive Directors</b>						
Tin Fan Yuen	-	1,458	-	-	198	1,656
Chester Tun Ho Kwok	-	1,462	-	-	198	1,660
Lily Li Dong	-	897	-	-	99	996
	-	8,567	639	189	24,106	33,501

**32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**

The remuneration of every director for the year ended 31 December 2020 is set out as below:

Name	Fees RMB'000	Wages and salaries RMB'000	Bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
<b>Executive Director</b>						
Xuan Zhang	-	2,655	-	23	37,912	40,590
Dong Jiang	-	1,625	36	52	5,349	7,062
<b>Non-executive Directors</b>						
James Gordon Mitchell (retired in June 2020)	-	-	-	-	-	-
Jimmy Chi Ming Lai	-	-	-	-	-	-
Chenkai Ling	-	-	-	-	-	-
Huan Zhou	-	-	-	-	-	-
<b>Independent non-executive Directors</b>						
Tin Fan Yuen	-	1,526	-	-	484	2,010
Chester Tun Ho Kwok	-	1,531	-	-	484	2,015
Lily Li Dong	-	944	-	-	242	1,186
	-	8,281	36	75	44,471	52,863

Note:

- (a) Share-based compensation expenses are calculated by applying a 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 31 December 2021, closing price of the Group on Hong Kong Stock Exchange was HK\$1.22 (US\$0.16).

### **32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**

During the year ended 31 December 2021, there are no retirement or termination benefits that have been paid to the Company's directors (2020: nil).

During the year ended 31 December 2021, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: nil).

During the year ended 31 December 2021, none of the Company's directors received any emoluments as an inducement to join or upon joining the Group (2020: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 (2020: nil).

### **33 CONTINGENCIES**

The Group did not have any material contingent liabilities as at 31 December 2021 (2020: nil).

### **34 SUBSEQUENT EVENTS**

Except for disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Company or the Group after 31 December 2021.

## 35 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

## (a) Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	4,379,505	4,369,123
Prepayments, deposits and other assets	14,773,581	14,132,224
	<b>19,153,086</b>	18,501,347
<b>Current assets</b>		
Cash and cash equivalents	32,701	1,171
<b>Total assets</b>	<b>19,185,787</b>	18,502,518
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	4,204	4,182
Share premium	34,976,080	34,882,666
Other reserves	849,795	1,209,081
Accumulated losses	(19,184,098)	(19,181,203)
<b>Total equity</b>	<b>16,645,981</b>	16,914,726
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Other non-current liabilities	932,106	1,165,387
<b>Current liabilities</b>		
Other payables and accruals	1,607,700	422,405
<b>Total liabilities</b>	<b>2,539,806</b>	1,587,792
<b>Total equity and liabilities</b>	<b>19,185,787</b>	18,502,518

The balance sheet of the Company was approved by the Board of Directors on 23 March 2022 and was signed on its behalf.

**Andy Xuan Zhang**  
Director

**Dong Jiang**  
Director

**35 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)**
**(b) Reserves movement of the Company**

	Accumulated loss RMB'000	Other reserves RMB'000
<b>At 1 January 2021</b>	<b>(19,181,203)</b>	<b>1,209,081</b>
Loss for the year	(2,895)	–
Share-based compensation	–	131,020
Release of ordinary shares from Share Scheme Trusts	–	(47,861)
Shares issued upon exercise of employee share options	–	(7,274)
Vesting of restricted awarded shares	–	(38,163)
Purchase of restricted shares under share award scheme	–	(5,015)
Currency translation differences	–	(391,993)
<b>At 31 December 2021</b>	<b>(19,184,098)</b>	<b>849,795</b>
<b>At 1 January 2020</b>	<b>(19,263,703)</b>	<b>2,417,192</b>
Profit for the year	82,500	–
Share-based compensation	–	105,043
Release of ordinary shares from Share Scheme Trusts	–	(87,189)
Shares issued upon exercise of employee share options	–	(10,423)
Vesting of restricted awarded shares	–	(45,627)
Purchase of restricted shares under share award scheme	–	(6,351)
Currency translation differences	–	(1,163,564)
<b>At 31 December 2020</b>	<b>(19,181,203)</b>	<b>1,209,081</b>

**36 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY**

The following is a list of the principal subsidiaries and controlled structured entity at 31 December 2021:

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	
				31 December 2021	2020
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong, 27 November 2014, limited liability company	Investment holding, Hong Kong	HK\$10	100%	100%
KKC Holdings Limited	The Cayman Islands, 22 April 2014, limited liability company	Investment holding, the Cayman Islands	US\$7,700	100%	100%
KKC Holdings Limited	Hong Kong, 8 May 2014, limited liability company	Investment holding, Hong Kong	HK\$1	100%	100%
Rising Champion International Limited	Hong Kong, 15 June 2018, limited liability company	Investment holding, Hong Kong	HK\$1	100%	100%
Eminent Success Holdings Group Limited	British Virgin Islands, 26 June 2018, limited liability company	Investment holding, British Virgin Islands	US\$50,000	100%	100%
Beijing KKC Technology Company Limited	The PRC, 10 July 2014, limited liability company <sup>#</sup>	Transaction services, the PRC	US\$11,400,000	100%	100%
Shanghai Yixin Financing Lease Co., Ltd.	The PRC, 12 August 2014, limited liability company <sup>*</sup>	Leasing services, the PRC	US\$1,500,000,000	100%	100%
Xinche Investment (Shanghai) Co., Ltd. (formerly known as Shanghai Rongche Information Technology Limited)	The PRC, 16 January 2015, limited liability company <sup>#</sup>	Investment holding, the PRC	US\$2,000,000,000	100%	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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	
				31 December 2021	2020
Shanghai Lanshu Information Technology Co., Ltd.	The PRC, 29 January 2015, limited liability company*	Technology development, the PRC	RMB50,000,000	100%	100%
Shanghai Techuang Advertisements Co., Ltd.	The PRC, 29 January 2015, limited liability company*	Advertising services, the PRC	US\$20,000,000	100%	100%
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	The PRC, 18 May 2015, limited liability company*	Leasing services, the PRC	US\$500,000,000	100%	100%
Shenyang Yixin Financial Service Co., Ltd.	The PRC, 13 December 2016, limited liability company*	Financial services, the PRC	RMB10,000,000	100%	100%
Beijing Yixin Auto Leasing Co., Ltd.	The PRC, 15 December 2016, limited liability company	Auto leasing, the PRC	RMB9,000,000	100%	100%
Guangzhou Rongche Leasing Co., Ltd.	The PRC, 8 March 2017, limited liability company	Leasing services, the PRC	RMB200,000,000	100%	100%
Tianjin Huibao Advertising Co., Ltd.	The PRC, 10 August 2017, limited liability company#	Advertising services, the PRC	US\$2,000,000	100%	100%
Xinjiang Yin'an Information Technology Co., Ltd.	The PRC, 6 September 2017, limited liability company#	Advertising services, the PRC	US\$10,000,000	100%	100%
Xinjiang Wanxing Information Technology Co., Ltd.	The PRC, 24 January 2018, limited liability company#	Information technology, the PRC	RMB20,000,000	100%	100%



**36 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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	
				31 December 2021	2020
Tianjin Wuxin Commercial Factoring Co., Ltd.	The PRC, 12 June 2018, limited liability company*	Commercial factoring, the PRC	RMB50,000,000	100%	100%
Tianjin Kars Information Technology Co., Ltd.	The PRC, 19 June 2018, limited liability company#	Transaction services, the PRC	RMB20,000,000	100%	100%
Xinjiang Jinchuan Jiahua Automobile Service Co., Ltd.	The PRC, 20 March 2019, limited liability company*	Transaction services, the PRC	RMB5,000,000	100%	100%
Shanghai Zengxin Information Technology Co., Ltd.	The PRC, 25 April 2019, limited liability company#	Technology development, the PRC	RMB500,000,000	100%	100%
Guangdong Haihan Technology Development Co., Ltd.	The PRC, 8 November 2019, limited liability company#	Information technology, the PRC	RMB102,200,000	100%	100%
Guangzhou Shengda Financing Guarantee Company Limited	The PRC, 12 November, 2019, limited liability company	Financial services, the PRC	RMB100,170,000	100%	100%
Hainan Xinye Information Technology Co., Ltd.	The PRC, 21 April, 2020, limited liability company#	Information technology, the PRC	RMB10,000,000	100%	100%
Yunnan Juliyong enterprise management Co., Ltd.	The PRC, 10 October 2020, limited liability company#	Financial services, the PRC	RMB20,000,000	100%	100%
Xinjiang Wanhong Information Technology Co., Ltd.	The PRC, 15 September 2020, limited liability company#	Information technology, the PRC	RMB20,000,000	100%	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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	
				31 December 2021	2020
Xinjiang Wanyi Information Technology Co., Ltd.	The PRC, 15 September 2020, limited liability company <sup>#</sup>	Information technology, the PRC	RMB20,000,000	100%	100%
Tianjin Duoxin Financing Guarantee Company Limited	The PRC, 18 September 2020, limited liability company <sup>#</sup>	Financial services, the PRC	RMB300,000,000	100%	100%
Beijing Xinshu Information Technology Co., Ltd.	The PRC, 22 September 2020, limited liability company <sup>#</sup>	Information technology, the PRC	RMB3,000,000	100%	100%
Yixin Hong Kong Investment limited	Hong Kong, 25 November 2020, limited liability company	Investment holding, Hong Kong	HK\$1	100%	100%
Ruige Capital Management Co., Ltd.	The PRC, 23 December 2020, limited liability company <sup>#</sup>	Investment holding, the PRC	US\$100,000,000	100%	100%
Beijing Lanshu Information Technology Co., Ltd.	The PRC, 5 February 2021, limited liability company	Information technology, the PRC	RMB50,000,000	100%	–
Qingdao Wanxin Information Technology Co., Ltd.	The PRC, 22 September 2021, limited liability company <sup>#</sup>	Information technology, the PRC	RMB10,000,000	100%	–
Beijing Yixin Information Technology Co., Ltd.	The PRC, 9 January 2015, limited liability company <sup>^</sup>	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
- ^ Controlled by New Contractual Arrangements

# FIVE-YEAR FINANCIAL SUMMARY

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
Revenue	3,905,509	5,532,632	5,799,982	3,325,215	<b>3,494,344</b>
Gross profit	2,189,913	2,475,423	2,766,458	1,555,639	<b>1,778,341</b>
Profit/(Loss) for the year	(18,336,554)	(166,580)	30,936	(1,155,749)	<b>28,953</b>
Adjusted net profit/(loss) (unaudited)	464,121	344,716	439,452	(800,101)	<b>273,219</b>

## CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
Assets					
Non-current assets	21,861,254	24,460,177	17,137,951	10,642,174	<b>12,639,925</b>
Current assets	21,005,233	26,082,085	22,409,003	16,883,448	<b>14,897,268</b>
<b>Total assets</b>	<b>42,866,487</b>	<b>50,542,262</b>	<b>39,546,954</b>	<b>27,525,622</b>	<b>27,537,193</b>
Equity and liabilities					
Equity attributable to owners of the Company	15,342,023	15,417,818	15,713,054	14,533,862	<b>14,642,211</b>
Non-controlling interests	–	–	–	–	–
<b>Total equity</b>	<b>15,342,023</b>	<b>15,417,818</b>	<b>15,713,054</b>	<b>14,533,862</b>	<b>14,642,211</b>
Liabilities					
Non-current liabilities	7,840,136	10,341,441	4,943,895	2,776,710	<b>4,531,978</b>
Current liabilities	19,684,328	24,783,003	18,890,005	10,215,050	<b>8,363,004</b>
<b>Total liabilities</b>	<b>27,524,464</b>	<b>35,124,444</b>	<b>23,833,900</b>	<b>12,991,760</b>	<b>12,894,982</b>
<b>Total equity and liabilities</b>	<b>42,866,487</b>	<b>50,542,262</b>	<b>39,546,954</b>	<b>27,525,622</b>	<b>27,537,193</b>

# DEFINITIONS

<b>“affiliate(s)”</b>	any company that directly or indirectly controls, is controlled by or is under common control of the company in question, provided that control shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a company, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise, and accordingly, for the purpose of the definition of affiliate(s), a company shall be deemed to control another company if such first company, directly or indirectly, owns or holds more than 50% of the voting equity securities in such other company, and terms deriving from control, such as “controlling” and “controlled”, shall have a meaning corollary to that of control
<b>“Annual General Meeting”</b>	the annual general meeting of the Company to be held on May 26, 2022
<b>“Articles of Association”</b>	the articles of association of the Company, as amended from time to time
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Audit Committee”</b>	the audit committee of the Company
<b>“Auditor”</b>	PricewaterhouseCoopers, the auditor of the Company
<b>“Beijing Bitauto”</b>	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
<b>“Beijing Bitauto Interactive”</b>	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 and a wholly-owned subsidiary of Bitauto
<b>“Beijing Bitcar Interactive”</b>	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 a wholly-owned subsidiary of Bitauto
<b>“Beijing KKC”</b>	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
<b>“Beijing Yixin”</b>	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息技術有限公司), a company established under the laws of the PRC on January 9, 2015 and our Consolidated Affiliated Entity
<b>“Bitauto”</b>	Bitauto Holdings Limited, a company incorporated under the laws of the Cayman Islands on October 21, 2005 and previously listed on the NYSE (NYSE: BITA), a Controlling Shareholder until the distributions in specie of all of the Shares held directly or indirectly by it to its shareholder on March 5, 2021

<b>“Bitauto HK”</b>	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, a Controlling Shareholder until the distributions in specie of all of the Shares held directly or indirectly by Bitauto to its shareholder on March 5, 2021
<b>“Board”</b>	the board of Directors
<b>“Capitalization Issue”</b>	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
<b>“Cayman Companies Law”</b>	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
<b>“CG Code”</b>	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
<b>“China” or “PRC”</b>	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
<b>“Company”, “our Company”, “Yixin”</b>	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)
<b>“Company Secretary”</b>	the company secretary of the Company
<b>“Company’s Securities Dealing Code”</b>	the Company’s own code of conduct for securities transactions regarding the Directors’ dealings in the securities of the Company on terms no less exacting than the Model Code
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Consolidated Affiliated Entity”</b>	the entity we control through the Contractual Arrangements, namely Beijing Yixin
<b>“Contractual Arrangements”</b>	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 – Continuing Connected Transactions — New Contractual Arrangements”

## DEFINITIONS

<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Tencent and Morespark and each of them shall be referred to as a controlling Shareholder
<b>“CSRC”</b>	the China Securities Regulatory Commission
<b>“Dalian Rongxin”</b>	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 an associate of Tencent
<b>“Director(s)”</b>	the director(s) of our Company
<b>“ESG”</b>	Environmental, Social and Governance
<b>“First Share Award Scheme”</b>	the share award scheme of the Company, which was adopted on May 26, 2017 and amended on September 1, 2017 and May 6, 2021, further details of which are disclosed in the section headed “Statutory and General Information – Pre-IPO Share Option and Share Award Schemes – First Share Award Scheme” in Appendix IV to the Prospectus
<b>“FITE Regulations”</b>	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
<b>“Group”, “our Group”, “we”, “us”, or “our”</b>	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
<b>“Hammer Capital”</b>	Hammer Capital Opportunities Fund L.P., an exempted limited partnership organized under the laws of the Cayman Island, the general partner of which is Hammer Capital Opportunities General Partner, which is ultimately beneficially owned by Mr. Rodney Ling Kay Tsang
<b>“HKICPA”</b>	the Hong Kong Institute of Certified Public Accountants
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

<b>“Hong Kong dollars” or “HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong Share Registrar”</b>	Computershare Hong Kong Investor Services Limited
<b>“IFRSs”</b>	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
<b>“IPO”</b>	initial public offering of the Shares on the Main Board
<b>“JD.com”</b>	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: JD) and the Main Board of the Stock Exchange (Stock code: 9618), and a Substantial Shareholder
<b>“JD Digital”</b>	Jingdong Digital Technology Holding Co., Ltd.* (京東數字科技控股有限公司) (formerly named Beijing Jingdong Finance Technology Holding Co., Ltd.* (北京京東金融科技控股有限公司)), a company established under the laws of the PRC, the composition of a majority of the board of directors of which is controlled by Mr. Liu Qiangdong, a connected person of the Company
<b>“Joint Sponsors”</b>	Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited
<b>“Listing”</b>	the listing of the Shares on the Main Board
<b>“Listing Date”</b>	November 16, 2017, being the date the Shares were listed on the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“Main Board”</b>	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
<b>“Measures”</b>	the draft Measures for Cybersecurity Review (《網絡安全審查辦法》) issued by the Cyberspace Administration of China
<b>“Memorandum”</b>	the amended memorandum of association of the Company adopted and as amended from time to time
<b>“MIIT”</b>	the Ministry of Industry and Information Technology of PRC
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
<b>“Morespark”</b>	Morespark Limited, a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent, and a Controlling Shareholder

## DEFINITIONS

<b>“New Contractual Arrangements”</b>	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 – Continuing Connected Transactions – New Contractual Arrangements”
<b>“Nomination Committee”</b>	the nomination committee of the Company
<b>“NYSE”</b>	the New York Stock Exchange
<b>“Opinions”</b>	the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》)
<b>“PRC Legal Advisor”</b>	Han Kun Law Offices, PRC Legal Advisor to the Company
<b>“Pre-IPO Share Option Scheme”</b>	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”
<b>“Prospectus”</b>	the prospectus of the Company dated November 6, 2017
<b>“Qualification Requirements”</b>	a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas
<b>“Remuneration Committee”</b>	the remuneration committee of the Company
<b>“Reporting Period”</b>	the year ended December 31, 2021
<b>“RMB”</b>	Renminbi, the lawful currency of PRC
<b>“Second Share Award Scheme”</b>	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”
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Shanghai Yixin”</b>	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
<b>“Share(s)”</b>	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001



<b>“Shareholder(s)”</b>	holder(s) of Share(s) from time to time
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Substantial Shareholder”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Suqian Yunhan”</b>	Suqian Yunhan Information Technology Co., Ltd.* (宿遷雲瀚信息科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of JD Digital
<b>“Tencent”</b>	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 700), and a Controlling Shareholder
<b>“THL H Limited”</b>	a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our Controlling Shareholder
<b>“Tianjin Kars”</b>	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
<b>“Two Contractual Arrangements”</b>	the Contractual Arrangements and the New Contractual Arrangements
<b>“United States,” “U.S.” or “US”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“US\$”</b>	United States dollars, the lawful currency of the United States
<b>“Xinche Investment”</b>	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
<b>“Yiche Holding”</b>	Yiche Holding Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is owned as to 65.53% by Morespark
<b>“Yixin HK”</b>	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

## DEFINITIONS

**“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.*

易鑫集团  
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