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**YIXIN GROUP**

**YIXIN GROUP LIMITED**

**易鑫集团有限公司**

*(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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018**

The board of directors (the “**Board**”) of Yixin Group Limited 易鑫集团有限公司 (the “**Company**” or “**Yixin**”, and together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2018. The results have been audited by PricewaterhouseCoopers, the Group’s auditor, in accordance with International Standards on Auditing.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

### **KEY HIGHLIGHTS**

	<b>Year ended December 31,</b>		<b>Year-on-year change %</b>
	<b>2018 RMB’000</b>	<b>2017 RMB’000</b>	
<b>Revenues</b>	<b>5,532,632</b>	3,905,509	42%
Transaction Platform Business	<b>762,002</b>	963,900	-21%
Loan Facilitation Services	<b>538,557</b>	4,235	12,617%
Advertising and Other Services	<b>223,445</b>	959,665	-77%
Self-Operated Financing Business	<b>4,770,630</b>	2,941,609	62%
Financing Lease Services	<b>4,101,062</b>	2,653,071	55%
Other Self-operated Services	<b>669,568</b>	288,538	132%
<b>Gross profit</b>	<b>2,475,423</b>	2,189,913	13%
<b>Adjusted operating profit</b>	<b>327,836</b>	489,447	-33%
<b>Adjusted net profit</b>	<b>344,716</b>	464,121	-26%

	<b>Six months ended</b>		
	<b>December 31, 2018</b>	<b>June 30, 2018</b>	<b>Period on period change</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b>%</b>
<b>Revenues</b>	<b>2,969,072</b>	<b>2,563,560</b>	<b>16%</b>
Transaction Platform Business	<b>500,479</b>	<b>261,523</b>	<b>91%</b>
Loan Facilitation Services	<b>427,491</b>	<b>111,066</b>	<b>285%</b>
Advertising and Other Services	<b>72,988</b>	<b>150,457</b>	<b>-51%</b>
Self-Operated Financing Business	<b>2,468,593</b>	<b>2,302,037</b>	<b>7%</b>
Financing Lease Services	<b>2,086,110</b>	<b>2,014,952</b>	<b>4%</b>
Other Self-operated Services	<b>382,483</b>	<b>287,085</b>	<b>33%</b>
<b>Gross profit</b>	<b>1,225,170</b>	<b>1,250,253</b>	<b>-2%</b>
<b>Adjusted operating profit</b>	<b>208,241</b>	<b>119,595</b>	<b>74%</b>
<b>Adjusted net profit</b>	<b>221,389</b>	<b>123,327</b>	<b>80%</b>

	<b>Year ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>Year-on-year change</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b>%</b>
Total financed automobile transactions	<b>484</b>	<b>400</b>	<b>21%</b>
Loan facilitation services	<b>144</b>	<b>9</b>	<b>1,500%</b>
Loan facilitation contribution %	<b>30%</b>	<b>2%</b>	

	<b>Six months ended</b>		
	<b>December 31, 2018</b>	<b>June 30, 2018</b>	<b>Period on period change</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b>%</b>
Total financed automobile transactions	<b>266</b>	<b>218</b>	<b>22%</b>
Loan Facilitation Services	<b>116</b>	<b>28</b>	<b>314%</b>
Loan facilitation contribution %	<b>44%</b>	<b>13%</b>	

2018 was a tough year for China's auto market with soft passenger vehicle sales, but 2018 was the year in which Yixin further strengthened its industry leadership and enhanced its competitive advantages; and the year in which Yixin successfully completed its strategic moves and gained robust growth. In 2018, China's total sales for new and used passenger vehicle, only increased by 1% year-on-year, according to the data from China Association of Automobile Manufactures ("CAAM") and China Automobile Dealers Association ("CADA"). For the year ended December 31, 2018, our total financed automobile transactions increased by 21% year-on-year to approximately 484 thousand. The aggregate auto financing amount we facilitated through our loan facilitation services and our self-operated financing business was approximately RMB38 billion, representing 26% year-on-year increase.

In 2018, our financed automobile transactions, both new and used, achieved faster growth than the industry. For the year ended December 31, 2018, our financed new automobile transactions increased by 15% year-on-year to approximately 273 thousand, while China's new passenger vehicles sales decreased by 4% year-on-year, according to CAAM. For the year ended December 31, 2018, our financed used automobile transactions increased by 31% year-on-year to approximately 211 thousand, which outpaced the 11% year-on-year growth rate of China's used passenger vehicle sales for year 2018, according to CADA. Our financed new automobile transactions and financed used automobile transactions contributed 56% and 44% of total financed automobile transactions in 2018, respectively, compared to 59% and 41% in 2017, respectively.

From the beginning of 2018, we have strategically focused on loan facilitation services, which feature strong scalability and attractive margin profile. During the year of 2018, our strategic move became successful. For the year ended December 31, 2018, we worked with 6 banks and facilitated approximately 144 thousand financed automobile transactions through loan facilitation services, representing 15 times year-on-year increase. Our transactions through loan facilitation services contributed 8%, 19%, 24%, and 60% of total financed automobile transactions in the first quarter, second quarter, third quarter, and fourth quarter in 2018, respectively; and in aggregate contributed 30% for the year of 2018, compared to 2% for the year of 2017. The increases of our loan facilitation transactions reflected our strategic focus on loan facilitation services and we expect the trend to continue.

Our revenues for the year ended December 31, 2018 increased by 42% year-on-year to RMB5,533 million, mainly due to the increase in the loan facilitation services and the self-operated financing lease services. Our revenues from loan facilitation services increased by 126 times year-on-year to RMB539 million for the year ended December 31, 2018. Our revenues from our self-operated financing lease services increased by 55% year-on-year to RMB4,101 million for the year ended December 31, 2018. Our revenues from advertising and other services decreased by 77% to RMB223 million, mainly due to our focus on loan facilitation services, while strategically de-emphasizing advertising and other services.

Our total gross profit increased by 13% year-on-year to RMB2,475 million for the year ended December 31, 2018, mainly due to the increase of revenues. Our overall gross profit margin decreased to 45% for the year ended December 31, 2018, compared to 56% for the the year ended December 31, 2017, mainly due to the revenue mix change resulted from strategic focusing on loan facilitation services and de-emphasizing advertising and other services, and the increase in average funding cost of our interest-bearing liabilities primarily resulted from the general credit tightening environment in China in 2018.

Our adjusted operating profit decreased by 33% year-on-year to RMB328 million for the year ended December 31, 2018; and our adjusted net profit decreased by 26% year-on-year to RMB345 million for the year ended December 31, 2018. The decreases were mainly due to the increase of provision for credit losses of finance receivables since the adoption of IFRS 9 “Financial instruments” starting from January 1, 2018. For the year ended December 31, 2018, our provision for credit losses of finance receivables was RMB497 million, compared to RMB196 million for the year ended December 31, 2017.

Our operating loss has narrowed down from RMB605 million in 2017 to RMB184 million in 2018; and our net loss has narrowed down from RMB18,337 million in 2017 to RMB167 million in 2018, primarily due to the increase in revenues, the decrease in operating expenses, and the decrease in fair value loss of convertible redeemable preferred shares.

Turning into the second half of 2018, our profitability improved significantly compared to the first half of 2018 as our strategic moves, which focus on loan facilitation services and de-emphasize advertising and other services, have come into effect. During the second half of 2018, our revenue increased by 16% period on period to RMB2,969 million, but our adjusted operating profit increased by 74% period on period to RMB208 million, and our adjusted net profit increased by 80% period on period to RMB221 million. During the second half of 2018, our operating loss narrowed down to RMB21 million compared to operating loss of RMB163 million for the first half of 2018; and our loss narrowed down to RMB8 million compared to the loss of RMB159 million for the first half of 2018. Further in the fourth quarter of 2018, we have achieved net profitability of RMB7 million.

On June 13, 2018, we entered into agreements in relation to our investment in Yusheng, which focuses on the used automobile transaction business. With the cooperation and transferred assets we provide, including the Taoche app and taoche.com, traffic and database support, and the cash investments from strategic investors such as Tencent and JD.com, Yusheng is expected to achieve rapid growth. At the same time, we can benefit from our financing cooperation with Yusheng on a preferential basis, which is expected to allow us to grow our volume of financed used automobile transactions at a fast pace, as well as the potential interest in Yusheng’s share capital that we can obtain through conversion of the convertible note. We believe the investment enables us to focus on utilizing our resources to grow loan facilitation services, self-operated financing services, as well as providing better financing products and services to our consumers. As a result, we can further strengthen our ecosystem along the automobile transaction value chain, and creating value for the Group and the shareholders of the Company (the “**Shareholders**”).

Looking into 2019, we expect the growth momentum to continue from our businesses, particularly from our loan facilitation services, which feature strong scalability and attractive margin profile. We currently work with 8 loan facilitation banking partners and we expect to further expand our banking partner network, increase our auto dealer coverage in low-tier cities, enrich our product offerings, and attract more financing customers.

As at December 31, 2018, our accumulated financed automobile transaction customers reached over 1.1 million. We believe there are business and monetization opportunities to tap into for our existing customers. We are dedicated to develop technology capabilities to better understand, connect, and serve consumers, financial institution partners, and auto dealers. We will focus on strengthening our big data capabilities for in-depth consumer understanding, improving our risk control system for enhanced accuracy, security, and efficiency; and building our cloud for better standardization, artificial intelligence, and connectivity.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

The following table sets forth the comparative figures for the years ended December 31, 2018 and 2017.

	Year ended December 31,		Year-on-year change %
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	
<b>Revenues</b>	<b>5,532,632</b>	3,905,509	42%
Cost of revenues	(3,057,209)	(1,715,596)	78%
<b>Gross profit</b>	<b>2,475,423</b>	2,189,913	13%
Selling and marketing expenses	(1,099,325)	(1,171,112)	-6%
Administrative expenses	(763,125)	(1,169,871)	-35%
Net impairment losses on financial assets	(669,040)	(258,198)	159%
Research and development expenses	(239,460)	(217,710)	10%
Other gains, net	111,703	22,392	399%
<b>Operating loss</b>	<b>(183,824)</b>	(604,586)	-70%
Finance income, net	27,566	32,728	-16%
Fair value loss of convertible redeemable preferred shares	—	(17,698,484)	-100%
Share of profit of investment accounted for using the equity method	1,382	118	1,071%
<b>Loss before income tax</b>	<b>(154,876)</b>	(18,270,224)	-99%
Income tax expense	(11,704)	(66,330)	-82%
<b>Loss for the year</b>	<b>(166,580)</b>	(18,336,554)	-99%
<b>Non-IFRSs measures (unaudited)</b>			
<b>Adjusted operating profit</b>	<b>327,836</b>	489,447	-33%
<b>Adjusted net profit</b>	<b>344,716</b>	464,121	-26%

### Revenues

Our revenues increased by 42% to RMB5,533 million for the year ended December 31, 2018, compared to RMB3,906 million for the year ended December 31, 2017, due to the increase in our loan facilitation services and self-operated financing business. The following table sets forth the comparative figures for the years ended December 31, 2018 and 2017.

	Year ended December 31,			
	2018		2017	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
<b>Revenues</b>				
<b>Transaction Platform Business</b>				
Loan Facilitation Services	538,557	10%	4,235	0%
Advertising and Other Services	223,445	4%	959,665	25%
<b>Subtotal</b>	<b>762,002</b>	<b>14%</b>	<b>963,900</b>	<b>25%</b>
<b>Self-Operated Financing Business</b>				
Financing Lease Services	4,101,062	74%	2,653,071	68%
Other Self-operated Services <sup>(1)</sup>	669,568	12%	288,538	7%
<b>Subtotal</b>	<b>4,770,630</b>	<b>86%</b>	<b>2,941,609</b>	<b>75%</b>
<b>Total</b>	<b>5,532,632</b>	<b>100%</b>	<b>3,905,509</b>	<b>100%</b>

*Note:*

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

### ***Transaction platform business***

Revenues from our transaction platform business decreased by 21% to RMB762 million for the year ended December 31, 2018, compared to RMB964 million for the year ended December 31, 2017, mainly due to our strategically focusing on loan facilitation services while de-emphasizing advertising and subscription services and used automobile transaction facilitation services resulted from the sale of our certain assets related to used automobile transactions to Yusheng; as well as the sales of vehicle telematics systems.

Revenues from our loan facilitation services increased by 126 times to RMB539 million for the year ended December 31, 2018, compared to RMB4 million for the year ended December 31, 2017. For the year ended December 31, 2018, we facilitated approximately 144 thousand financed automobile transactions, through loan facilitation services for our cooperation banks, representing 15 times year-on-year increase in volume.

Revenues from our advertising and other services decreased by 77% to RMB223 million for the year ended December 31, 2018, compared to RMB960 million for the year ended December 31, 2017, mainly due to our strategically de-emphasizing advertising and subscription services and used automobile transaction facilitation services resulted from the sale of our certain assets related to used automobile transactions to Yusheng; as well as the sales of vehicle telematics systems.

Our transaction platform business contributed 14% of total revenues in 2018, compared to 25% in 2017, mainly because our de-emphasizing advertising and other services, and partly offset by the increase of loan facilitation services. As our loan facilitation services grow, revenue contribution from our transaction platform business increased to 17% during the second half of 2018, compared to 10% during the first half of 2018.

### ***Self-operated financing business***

Revenues from our self-operated financing business increased by 62% to RMB4,771 million for the year ended December 31, 2018, compared to RMB2,942 million for the year ended December 31, 2017. The growth was primarily due to the revenue increase from our existing financing lease transactions in prior years. For the year ended December 31, 2018, we facilitated approximately 340 thousand financed automobile transactions, through self-operated financing business, representing 12% year-on-year decrease in volume, reflecting our strategic focus on loan facilitation services. For year ended December 31, 2018, approximately 97% of financed automobile transactions through our self-operated financing business were financing lease transactions.

Revenues from our financing lease services increased by 55% to RMB4,101 million for the year ended December 31, 2018 compared to RMB2,653 million for the year ended December 31, 2017. The growth was due to the revenue increase from our existing financing lease transactions in prior years. For the year ended December 31, 2018, we generated RMB1,542 million revenues from new financing lease contracts and RMB2,559 million revenues from existing financing lease contracts prior to 2018. The average yield of our net finance receivables<sup>(1)</sup> was 11.7% for the year ended December 31, 2018, compared to 11.6% for the year ended December 31, 2017.

Revenues from our other self-operated services increased by 132% to RMB670 million for the year ended December 31, 2018 compared to RMB289 million for the year ended December 31, 2017, primarily due to the increase of sales of automobiles.

### **Cost of revenues**

Cost of revenues increased by 78% to RMB3,057 million for the year ended December 31, 2018 compared to RMB1,716 million for the year ended December 31, 2017, primarily due to the increase of funding costs associated with our self-operated financing lease services, the increase of commissions associated with our loan facilitation services, and the increase of costs associated with sales of automobiles.

*Note:*

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

Cost of revenues of our transaction platform business increased by 22% to RMB259 million for the year ended December 31, 2018 compared to RMB213 million for the year ended December 31, 2017. The increase was primarily due to the increase of commissions associated with our loan facilitation services and partly offset by the decrease of commissions associated with used automobile transaction facilitation services, costs associated with advertising and subscription services, and costs of vehicle telematics system.

Cost of revenues of our self-operated financing business increased by 86% to RMB2,798 million for the year ended December 31, 2018 compared to RMB1,503 million for the year ended December 31, 2017, primarily due to the increase of funding costs associated with our self-operated financing lease services and the increase of costs associated with sales of automobiles. Funding costs increased to RMB2,053 million for the year ended December 31, 2018, compared to RMB1,138 million for the year ended December 31, 2017, as a result of expansion of our self-operated financing lease business and the increase of average cost of the interest-bearing liabilities primarily resulted from China's general credit tightening environment in 2018. The average cost of our interest-bearing liabilities<sup>(1)</sup> was 7.1% for the year ended December 31, 2018, compared to 5.6% for the year ended December 31, 2017.

### Gross Profit and Margins

	Year ended December 31,			
	2018		2017	
	RMB'000	%	RMB'000	%
<b>Segment gross profit and gross profit margins</b>				
Transaction Platform Business	502,684	66%	751,223	78%
Self-Operated Financing Business	1,972,739	41%	1,438,690	49%
<b>Total</b>	<b>2,475,423</b>	<b>45%</b>	<b>2,189,913</b>	<b>56%</b>

Our total gross profit increased by 13% to RMB2,475 million for the year ended December 31, 2018, compared to RMB2,190 million for the year ended December 31, 2017, primarily due to the total revenue growth. Our overall gross profit margin decreased to 45% for the year ended December 31, 2018, compared to 56% for the year ended December 31, 2017, mainly due to the change in revenue mix of transaction platform business, the increase in average funding cost of our interest-bearing liabilities, and the increase of costs of automobiles sold.

Note:

- (1) Sum of funding costs and finance expenses, excluding issuance costs of convertible redeemable preferred shares, divided by quarterly average balance of interest-bearing liabilities.



Gross profit of our transaction platform business decreased by 33% to RMB503 million for the year ended December 31, 2018, compared to RMB751 million for the year ended December 31, 2017, mainly due to the revenue decline resulted from our strategically de-emphasizing advertising and other services, partly offset by the revenue increase in our loan facilitation services. Gross profit margin of our transaction platform business decreased to 66% for the year ended December 31, 2018, compared to 78% for the year ended December 31, 2017, primarily due to the decline of advertising and other services, which had higher gross profit margins than loan facilitation services.

Gross profit of our self-operated financing business increased by 37% to RMB1,973 million for the year ended December 31, 2018, compared to RMB1,439 million for the year ended December 31, 2017, mainly due to the revenue growth. Gross profit margin of our self-operated financing business decreased to 41% for the year ended December 31, 2018, compared to 49% for the year ended December 31, 2017, primarily due to the increase in average funding cost resulted from China's general credit tightening environment in 2018 and the increase of costs of automobiles sold. The net interest spread of financing leases<sup>(1)</sup> was 4.6% for the year ended December 31, 2018, compared to 6.0% for the year ended December 31, 2017.

### **Selling and Marketing Expenses**

Selling and marketing expenses decreased by 6% to RMB1,099 million for the year ended December 31, 2018, compared to RMB1,171 million for the year ended December 31, 2017, primarily due to the decrease in marketing and advertising expenses, partly offset by the increase of salary and employee benefit expenses and the increase of share-based compensation expenses. Marketing and advertising expenses were RMB289 million for the year ended December 31, 2018, compared to RMB468 million for the year ended December 31, 2017. For the year ended December 31, 2018, share-based compensation expenses for our sales and marketing personnel were RMB25 million, compared to RMB13 million for the year ended December 31, 2017.

### **Administrative Expenses**

Our administrative expenses decreased by 35% to RMB763 million for the year ended December 31, 2018, compared to RMB1,170 million for the year ended December 31, 2017 (excluding net impairments losses on financial assets), primarily due to the decrease of share-based compensation expenses, partly offset the increase in salary and employee benefit expenses and the increase of professional service expenses. For the year ended December 31, 2018, share-based compensation expenses for our administrative personnel were RMB292 million, compared to RMB883 million for the year ended December 31, 2017.

### **Net Impairment Losses on Financial Assets**

Net impairment losses on financial assets include provision for credit losses of finance receivables, provision for impairment of trade receivables and other receivables. It increased by approximately 159% to RMB669 million for the year ended December 31, 2018, compared to RMB258 million

*Note:*

(1) Difference between the average yield of the net finance receivables and the average cost of the interest-bearing liabilities.

for the year ended December 31, 2017, primarily due to the increase in provision for credit losses of finance receivables since the adoption of IFRS 9 “Financial instruments” starting from January 1, 2018 and the increase in provision of trade receivables due to the general economic slowdown in 2018. For the year ended December 31, 2018, provision for credit losses of finance receivables was RMB497 million, compared to RMB196 million for the year ended December 31, 2017. For the year ended December 31, 2018, provision of trade receivables and other receivables was RMB172 million, compared to RMB62 million for the year ended December 31, 2017.

### **Research and Development Expenses**

Our research and development expenses increased by 10% to RMB239 million for the year ended December 31, 2018, compared to RMB218 million for the year ended December 31, 2017, primarily due to the increase of share-based compensation expenses and the increase in salary and employee benefit expenses. Share-based compensation expenses for our research and development personnel were RMB32 million for the year ended December 31, 2018, compared to RMB17 million for the year ended December 31, 2017.

### **Other Gains, Net**

Other net gains increased by 399% to RMB112 million for the year ended December 31, 2018, compared to RMB22 million for the year ended December 31, 2017. The increase was primarily attributable to gain of RMB53 million on sale of certain assets related to used automobile transactions to Yusheng and the increase in gains associated with business cooperation agreements with Yusheng.

### **Operating Loss**

Our operating loss for the year ended December 31, 2018 was RMB184 million, compared to RMB605 million for the year ended December 31, 2017, mainly due to the increase in revenues and the decrease in operating expenses.

Turning into the second half of 2018, our operating loss narrowed down as our strategic moves have come into effect. Our operating loss was RMB21 million for the second half of 2018, compared to operating loss of RMB163 million for the first half of 2018.

### **Finance Income, Net**

Our finance income, net decreased by 16% to RMB28 million for the year ended December 31, 2018, compared to RMB33 million for the year ended December 31, 2017, mainly due to the increase in interest expense.

## Fair Value Loss of Convertible Redeemable Preferred Shares

We did not incur fair value loss of convertible redeemable preferred shares for the year ended December 31, 2018, compared to RMB17.7 billion for the year ended December 31, 2017. On November 16, 2017 (the “**Listing Date**”), all our preferred shares were automatically converted into our ordinary shares, and thus in 2018 and forward, we will not incur fair value loss of convertible redeemable preferred shares.

## Income Tax Expense

Our income tax expense decreased by 82% to RMB12 million for the year ended December 31, 2018, compared to RMB66 million for the year ended December 31, 2017. The decrease was primarily attributable to the impact of preferential tax rate applicable to some of our subsidiaries in China.

## Loss for the Year

Our loss for the year ended December 31, 2018 was RMB167 million, compared to RMB18,337 million for the year ended December 31, 2017 due to the increase in revenues, the decrease in operating expenses and the decrease in fair value loss of convertible redeemable preferred shares.

Turning into the second half of 2018, our net loss narrowed down as our strategic moves have come into effect. Our net loss was RMB8 million for the second half of 2018, compared to net loss of RMB159 million for the first half of 2018.

## 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, share-based compensation expenses, and listing expenses (“**Adjusted Operating Profit**”). Adjusted net profit eliminates the effect of the aforesaid items, fair value loss of convertible redeemable preferred shares, issuance costs of convertible redeemable preferred shares, and any related tax impact (“**Adjusted Net Profit**”). The terms Adjusted Operating Profit and Adjusted Net Profit are not defined under the IFRSs. The use of Adjusted Operating Profit and Adjusted Net Profit has material limitations as an analytical tool, as they do not include all items that impact our profit/(loss) for the relevant years. The effect of items eliminated from Adjusted Operating Profit and Adjusted Net Profit is a significant component in understanding and assessing our operating and financial performance.

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

The following tables reconcile our Adjusted Operating Profit and Adjusted Net Profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs. Adjusted Operating Profit and Adjusted Net Profit are not required by, or presented in accordance with, IFRSs.

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Operating Loss</b>	<b>(183,824)</b>	<b>(604,586)</b>
Add:		
Fair value gain on financial assets	<b>(2,585)</b>	<b>(6,829)</b>
Amortization of intangible assets resulting from asset and business acquisitions	<b>165,419</b>	<b>133,483</b>
Share-based compensation expenses	<b>348,826</b>	<b>913,033</b>
Listing expenses	<b>—</b>	<b>54,346</b>
	<hr/>	<hr/>
<b>Adjusted Operating Profit (unaudited)</b>	<b><u>327,836</u></b>	<b><u>489,447</u></b>

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net Loss</b>	<b>(166,580)</b>	<b>(18,336,554)</b>
Add:		
Fair value loss of convertible redeemable preferred shares	<b>—</b>	<b>17,698,484</b>
Fair value gain on financial assets, net of tax	<b>(1,939)</b>	<b>(5,122)</b>
Amortization of intangible assets resulting from asset and business acquisitions, net of tax	<b>164,409</b>	<b>131,343</b>
Share-based compensation expenses	<b>348,826</b>	<b>913,033</b>
Issuance costs of convertible redeemable preferred shares, net of tax	<b>—</b>	<b>14,318</b>
Listing expenses, net of tax	<b>—</b>	<b>48,619</b>
	<hr/>	<hr/>
<b>Adjusted Net Profit (unaudited)</b>	<b><u>344,716</u></b>	<b><u>464,121</u></b>

## Adjusted Operating Profit and Margins

Our adjusted operating profit decreased by 33% to RMB328 million for the year ended December 31, 2018, compared to RMB489 million for the year ended December 31, 2017. Our overall adjusted operating profit margin decreased to 6% for the year ended December 31, 2018, compared to 13% for the year ended December 31, 2017. The decreases were mainly due to the increase of provision for credit losses of finance receivables since the adoption of IFRS 9 “Financial instruments” accounting policy starting from January 1, 2018, and the decrease in gross margin.

Turning into the second half of 2018, our operating profitability improved significantly as our strategic moves have come into effect. Our adjusted operating profit increased by 74% period on period to RMB208 million from the first half of 2018.

## Adjusted Net Profit and Margin

Our adjusted net profit decreased by 26% to RMB345 million for the year ended December 31, 2018, compared to RMB464 million for the year ended December 31, 2017 and our adjusted net profit margin decreased to 6% for the year ended December 31, 2018, compared to 12% for the year ended December 31, 2017. The decreases were mainly due to the increase of provision for credit losses of finance receivables since the adoption of IFRS 9 “Financial instruments” accounting policy starting from January 1, 2018, and the decrease in gross margin.

Turning into the second half of 2018, our profitability improved significantly as our strategic moves have come into effect. Our adjusted net profit increased by 80% period on period to RMB221 million from the first half of 2018.

## Selected Financial Information from Our Consolidated Balance Sheet

	As at December 31,		Year-on-year change %
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	
Total finance receivables (carrying amount)	<b>36,818,989</b>	29,912,822	23%
Cash and cash equivalent	<b>2,116,197</b>	5,824,706	-64%
Total borrowings	<b>30,198,484</b>	25,095,135	20%
Current assets	<b>26,082,085</b>	21,005,233	24%
Current liabilities	<b>24,783,003</b>	19,684,328	26%
Net current assets	<b>1,299,082</b>	1,320,905	-2%
Total equity	<b>15,417,818</b>	15,342,023	—

## Finance Receivables

We provide financing lease services in our self-operated financing business segment. Customers pay us interest and principal on a monthly basis. Our carrying amount of finance receivables increased to RMB36.8 billion as at December 31, 2018, compared to RMB29.9 billion as at December 31, 2017, primarily due to the expansion of our financing lease 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 total finance receivables based on IFRS 9.

The following table sets forth our net finance receivables, the amount of net finance receivables that are past due and the corresponding past due ratios, and the amount of provision for credit losses and the corresponding coverage ratios as at the dates indicated:

	<b>December 31,</b>	June 30,	<b>As at</b> December 31,	December 31,
	<b>2018</b>	2018	2017	2017
			(pro forma) <sup>(6)</sup>	
	<i>(RMB'000, except for percentage)</i>			
Provision ratio:				
Finance receivables, net (ending balance)	<b>37,333,886</b>	36,024,412	30,046,991	30,046,991
Provision for credit losses (ending balance)	<b>(514,897)</b>	(414,591)	(320,509)	(134,169)
Provision to net finance receivables ratio <sup>(1)</sup>	<b>-1.38%</b>	-1.15%	-1.08%	-0.45%
Past due ratio:				
180+ days <sup>(2)</sup>	<b>0.52%</b>	0.48%	0.23%	0.23%
90+ days (including 180+ days) <sup>(3)</sup>	<b>1.10%</b>	1.05%	0.82%	0.82%
Past due coverage:				
180+ days <sup>(4)</sup>	<b>267.53%</b>	242.22%	466.89%	195.45%
90+ days (including 180+ days) <sup>(5)</sup>	<b>125.10%</b>	109.20%	130.44%	54.60%

### Notes:

- (1) Provision for credit losses divided by net finance receivables.
- (2) 180+ days past due net finance receivables divided by net finance receivables.
- (3) 90+ days (including 180+ days) past due net finance receivables divided by net finance receivables.
- (4) Provision for credit losses divided by 180+ days past due net finance receivables.
- (5) Provision for credit losses divided by 90+ days (including 180+ days) past due net finance receivables.
- (6) Pro forma numbers are based on the provision adjustments according to IFRS9.

Our loan facilitation services grow significantly in 2018. 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 better assess the overall quality of our financed transactions:

	<b>As at December 31, 2018</b>	June 30, 2018
Past due ratio:		
180+ days <sup>(1)</sup>	<b>0.42%</b>	0.45%
90+ days (including 180+ days) <sup>(2)</sup>	<b>0.92%</b>	<b>1.00%</b>

*Notes:*

- (1) 180+ days past due net finance receivables from self-operating financing and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balances.
- (2) 90+ days (including 180+ days) past due net finance receivables from self-operated financing lease and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balance.

As at December 31, 2018, our 180+ days past due ratio and 90+ days (including 180+ days) past due ratio for our self-operated financing business were 0.52% and 1.10% respectively (2017: 0.23% and 0.82% respectively); 180+ days past due ratio and 90+ days (including 180+ days) past due ratio for all financed transactions including both our self-operated financing business and loan facilitation business were 0.42% and 0.92% respectively.

### **Cash and Cash Equivalents**

As at December 31, 2018, we had cash and cash equivalent of RMB2,116 million, as compared with RMB5,825 million as at December 31, 2017. The decrease in cash and cash equivalents was mainly due to the expansion of our business.

### **Borrowings**

As at December 31, 2018, our total borrowings were RMB30.2 billion, compared to RMB25.1 billion as at December 31, 2017. Total borrowings were comprised of (i) bank loans and borrowings from other institutions of RMB16.4 billion (2017: 16.3 billion) and (ii) asset-backed securities debt of RMB13.8 billion as at December 31, 2018 (2017: 8.8 billion). Asset-backed securities debt as a percentage of our total borrowings has increased from 35% in 2017 to 46% in 2018.

### **Net Current Assets**

Our net current assets were RMB1,299 million as at December 31, 2018, compared to RMB1,321 million as at December 31, 2017. Our current assets were RMB26.1 billion as at December 31, 2018, compared to RMB21.0 billion as at December 31, 2017, primarily due to the increase in current finance receivables. Our current liabilities were RMB24.8 billion as at December 31, 2018, compared to RMB19.7 billion as at December 31, 2017, primarily due to the increase in current borrowings.

## Total Equity

As at December 31, 2018, our total equity was RMB15.4 billion, compared to RMB15.3 billion as at December 31, 2017, mainly due to the increase in other reserve resulting from share based payment.

## Key Financial Ratios

	As at December 31,	
	2018	2017
Current ratio (times) <sup>(1)</sup>	1.05	1.07
Gearing ratio (%) <sup>(2)</sup>	62%	55%

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 equals our total borrowings plus loans payable to Bitauto, its subsidiaries and consolidated affiliated entities, less our cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net debt.

### Current Ratio

Our current ratio decreased to 1.05 as at December 31, 2018, compared to 1.07 as at December 31, 2017, mainly due to the increase of current liabilities of the Group.

### Gearing Ratio

Our gearing ratio increased to 62% as at December 31, 2018, compared to 55% as at December 31, 2017, mainly due to increase of net debt of the Group.

## Capital Expenditure and Investments

Our historical capital expenditures primarily included purchase of property and equipment, purchase of intangible assets, investments in financial assets and investment in an associate.

	2018	2017
	RMB'000	RMB'000
Purchase of property and equipment	24,630	46,267
Purchase of intangible assets	9,062	23,624
Investments in financial assets at fair value through profit or loss	1,938,786	—
Investment in an associate in the form of ordinary shares	—	15,933
<b>Total</b>	<b>1,972,478</b>	<b>85,824</b>



## **Foreign Exchange Risk**

Our Group's subsidiaries primarily operate in the People's Republic of China (the "PRC") and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2018 and 2017.

## **Material Acquisitions and Disposals**

Save as disclosed in this announcement, the Group did not have any other material acquisitions and disposals of subsidiaries or associated companies for the year ended December 31, 2018.

## **Contingent Liabilities**

As at December 31, 2018, we did not have any material contingent liabilities (2017: nil).

# CONSOLIDATED INCOME STATEMENT

## YEAR ENDED DECEMBER 31, 2018

	<i>Note</i>	<b>Year ended December 31,</b>	
		<b>2018</b>	<b>2017</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenues</b>	5		
Transaction Platform Business		<b>762,002</b>	963,900
Self-operated Financing Business		<b>4,770,630</b>	2,941,609
		<u><b>5,532,632</b></u>	<u>3,905,509</u>
Cost of revenues	7	<u><b>(3,057,209)</b></u>	<u>(1,715,596)</u>
<b>Gross profit</b>		<b>2,475,423</b>	2,189,913
Selling and marketing expenses	7	<b>(1,099,325)</b>	(1,171,112)
Administrative expenses	7	<b>(763,125)</b>	(1,169,871)
Net impairment losses on financial assets	7	<b>(669,040)</b>	(258,198)
Research and development expenses	7	<b>(239,460)</b>	(217,710)
Other gains, net	6	<u><b>111,703</b></u>	<u>22,392</u>
<b>Operating loss</b>		<u><b>(183,824)</b></u>	<u>(604,586)</u>
Finance income, net	9	<b>27,566</b>	32,728
Fair value loss of convertible redeemable preferred shares		—	(17,698,484)
Share of profits of investment accounted for using the equity method		<u><b>1,382</b></u>	<u>118</u>
<b>Loss before income tax</b>		<b>(154,876)</b>	(18,270,224)
Income tax expense	10	<u><b>(11,704)</b></u>	<u>(66,330)</u>
<b>Loss for the year</b>		<u><b>(166,580)</b></u>	<u>(18,336,554)</u>
<b>Loss attributable to:</b>			
— Owners of the Company		<b>(166,580)</b>	(18,330,870)
— Non-controlling interests		—	(5,684)
		<u><b>(166,580)</b></u>	<u>(18,336,554)</u>
<b>Loss per share from operations attributable to owners of the Company for the year (expressed in RMB per share)</b>			
— Basic	11	<u><b>(0.03)</b></u>	<u>(11.37)</u>
— Diluted		<u><b>(0.03)</b></u>	<u>(11.37)</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Loss for the year</b>	<u>(166,580)</u>	<u>(18,336,554)</u>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>37,196</u>	<u>662,957</u>
<b>Total comprehensive loss for the year</b>	<u><u>(129,384)</u></u>	<u><u>(17,673,597)</u></u>
<b>Attributable to:</b>		
— Owners of the Company	(129,384)	(17,667,913)
— Non-controlling interests	<u>—</u>	<u>(5,684)</u>
	<u><u>(129,384)</u></u>	<u><u>(17,673,597)</u></u>

# CONSOLIDATED BALANCE SHEET

		As at December 31,	
	Note	2018	2017
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	12	353,230	1,208,544
Intangible assets	13	2,159,481	2,384,761
Investment in an associate	14	17,433	16,051
Financial assets at fair value through profit or loss	15	2,098,200	156,829
Deferred income tax assets	27	216,543	48,293
Prepayments, deposits and other assets	19	1,141,819	1,358,886
Finance receivables	17	18,027,363	16,537,890
Restricted cash	20	446,108	150,000
		<u>24,460,177</u>	<u>21,861,254</u>
<b>Current assets</b>			
Finance receivables	17	18,791,626	13,374,932
Trade receivables	18	677,221	680,135
Prepayments, deposits and other assets	19	1,404,960	764,226
Cash and cash equivalents	20	2,116,197	5,824,706
Restricted cash	20	3,092,081	361,234
		<u>26,082,085</u>	<u>21,005,233</u>
<b>Total assets</b>		<u><u>50,542,262</u></u>	<u><u>42,866,487</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	21	4,114	4,080
Share premium	21	34,592,150	34,409,418
Other reserves	22	1,010,748	797,646
Accumulated losses		<u>(20,189,194)</u>	<u>(19,869,121)</u>
<b>Total equity</b>		<u><u>15,417,818</u></u>	<u><u>15,342,023</u></u>

	<i>Note</i>	<b>As at December 31,</b>	
		<b>2018</b>	2017
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	27	2,902	16,029
Borrowings	26	8,391,104	7,686,093
Other non-current liabilities	28	1,947,435	138,014
		<u>10,341,441</u>	<u>7,840,136</u>
<b>Current liabilities</b>			
Trade payables	24	693,417	947,751
Other payables and accruals	25	2,173,172	1,309,930
Current income tax liabilities		109,034	17,605
Borrowings	26	21,807,380	17,409,042
		<u>24,783,003</u>	<u>19,684,328</u>
<b>Total liabilities</b>		<u><u>35,124,444</u></u>	<u><u>27,524,464</u></u>
<b>Total equity and liabilities</b>		<u><u>50,542,262</u></u>	<u><u>42,866,487</u></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000			
<b>Balance at December 31, 2017</b>		4,080	34,409,418	797,646	(19,869,121)	15,342,023	—	15,342,023
Change in accounting policy	2	—	—	—	(139,755)	(139,755)	—	(139,755)
<b>Balance at January 1, 2018</b>		4,080	34,409,418	797,646	(20,008,876)	15,202,268	—	15,202,268
<b>Comprehensive loss</b>								
Loss for the year		—	—	—	(166,580)	(166,580)	—	(166,580)
Currency translation differences		—	—	37,196	—	37,196	—	37,196
<b>Total comprehensive loss for the year</b>		—	—	37,196	(166,580)	(129,384)	—	(129,384)
<b>Transactions with owners in their capacity as owners</b>								
Share-based compensation	8, 22, 23	—	—	348,826	—	348,826	—	348,826
Appropriation to statutory surplus reserve		—	—	13,738	(13,738)	—	—	—
Release of ordinary shares from Share Scheme Trusts	21, 22, 23	31	167,713	(167,300)	—	444	—	444
Shares issued upon exercise of employee share options	21, 22, 23	2	11,655	(11,626)	—	31	—	31
Vesting of restricted awarded shares	21, 22, 23	1	3,364	(6,147)	—	(2,782)	—	(2,782)
Purchase of restricted shares under share award scheme	22, 23	—	—	(1,585)	—	(1,585)	—	(1,585)
<b>Total transactions with owners in their capacity as owners</b>		34	182,732	175,906	(13,738)	344,934	—	344,934
<b>Balance at December 31, 2018</b>		4,114	34,592,150	1,010,748	(20,189,194)	15,417,818	—	15,417,818

		Attributable to owners of the Company						
	<i>Note</i>	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>Balance at January 1, 2017</b>		<u>83</u>	<u>505,524</u>	<u>(411,633)</u>	<u>(1,491,133)</u>	<u>(1,397,159)</u>	<u>12,684</u>	<u>(1,384,475)</u>
<b>Comprehensive loss</b>								
Loss for the year		—	—	—	(18,330,870)	(18,330,870)	(5,684)	(18,336,554)
Currency translation differences	22	—	—	662,957	—	662,957	—	662,957
<b>Total comprehensive loss for the year</b>		<u>—</u>	<u>—</u>	<u>662,957</u>	<u>(18,330,870)</u>	<u>(17,667,913)</u>	<u>(5,684)</u>	<u>(17,673,597)</u>
<b>Transactions with owners in their capacity as owners</b>								
Capital contribution from owners	22	—	—	(6,170)	—	(6,170)	(7,000)	(13,170)
2017 Reorganization		—	—	(403,605)	—	(403,605)	—	(403,605)
Share-based compensation	23	—	—	913,033	—	913,033	—	913,033
Appropriation to statutory surplus reserve	22	—	—	47,118	(47,118)	—	—	—
Conversion of preferred shares to ordinary shares		411	28,378,338	—	—	28,378,749	—	28,378,749
Capitalization Issue	21	3,003	(3,003)	—	—	—	—	—
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	21	582	5,524,495	—	—	5,525,077	—	5,525,077
Release of ordinary shares from Share Scheme Trusts	22, 23	<u>1</u>	<u>4,064</u>	<u>(4,054)</u>	<u>—</u>	<u>11</u>	<u>—</u>	<u>11</u>
<b>Total transactions with owners in their capacity as owners</b>		<u>3,997</u>	<u>33,903,894</u>	<u>546,322</u>	<u>(47,118)</u>	<u>34,407,095</u>	<u>(7,000)</u>	<u>34,400,095</u>
<b>Balance at December 31, 2017</b>		<u>4,080</u>	<u>34,409,418</u>	<u>797,646</u>	<u>(19,869,121)</u>	<u>15,342,023</u>	<u>—</u>	<u>15,342,023</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	<b>Year ended December 31,</b>	
		<b>2018</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>			
Cash used in operations		(4,082,030)	(15,481,176)
Income tax paid		(55,067)	(142,282)
		<u>(4,137,097)</u>	<u>(15,623,458)</u>
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		33,735	50,257
Proceeds from disposal of property and equipment and intangible assets		64,492	413
Proceeds from the disposal of a subsidiary, net of cash disposed		—	9,448
Purchase of property and equipment		(28,817)	(50,129)
Purchase of intangible assets		(9,606)	(58,325)
Loans to a related party		—	(20,000)
Repayments from loans to a related party		1,000	—
Loans to third parties	19	(153,057)	—
Investments in financial assets at fair value through profit or loss		(286,445)	—
Payments for business combinations, net		—	(14,526)
Investment in an associate		—	(10,000)
Placements of restricted cash		(4,772,686)	(2,325,750)
Maturity of restricted cash		1,784,709	4,863,501
		<u>(3,366,675)</u>	<u>2,444,889</u>
<b>Net cash (used in)/generated from investing activities</b>			



		<b>Year ended December 31,</b>	
	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities</b>			
Distribution to Bitauto in 2017 Reorganization		—	(98,855)
Proceeds from borrowings		<b>39,761,458</b>	33,880,806
Repayment of borrowings		<b>(34,568,213)</b>	(19,957,650)
Deposits for borrowings		<b>(366,409)</b>	(488,686)
Proceeds of loans from Bitauto Group		<b>1,589,393</b>	1,294,053
Repayment of loans from Bitauto Group		<b>(700,000)</b>	(1,702,629)
Proceeds from issuance of convertible redeemable preferred shares		—	1,064,819
Payment of issuance costs of convertible redeemable preferred shares	9	—	(14,318)
Proceeds from issuance of ordinary shares relating to the initial public offering	21	—	5,744,330
Payment of issuance cost of ordinary shares relating to the initial public offering	21	<b>(13,516)</b>	(215,575)
Proceeds from exercise of share options		<b>2,434</b>	1,074
Purchase of restricted shares under share award scheme		<b>(4,367)</b>	—
Interest paid		<b>(1,917,044)</b>	(1,083,160)
		<u><b>3,783,736</b></u>	<u>18,424,209</u>
<b>Net cash generated from financing activities</b>		<u><b>3,783,736</b></u>	<u>18,424,209</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,720,036)</b>	5,245,640
Cash and cash equivalents at beginning of the year		<b>5,824,706</b>	660,852
Exchange gains/(losses) on cash and cash equivalents		<b>11,527</b>	(81,786)
		<u><b>2,116,197</b></u>	<u>5,824,706</u>
<b>Cash and cash equivalents at end of the year</b>		<u><b>2,116,197</b></u>	<u>5,824,706</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

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

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

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

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since November 16, 2017 by way of its initial public offering (“IPO”).

The Group’s major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi (“RMB”). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government. As at December 31, 2018, 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 (2017: nil).

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

United States Dollars are defined as “US\$” and Hong Kong Dollars are defined as “HK\$”.

## 2. Basis of preparation

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

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 on January 1, 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
- Annual Improvements 2014–2016 cycle
- Transfers to Investment Property — Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

*IFRS 9 Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 “Financial Instruments” from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The impact of adopting IFRS 9 is set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Impact on the financial statements

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group has not entered into any hedging

arrangements for the year ended December 31, 2018. The adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at December 31, 2017, but are recognised in the opening consolidated balance sheet on January 1, 2018.

The following tables show the overall adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

<b>Consolidated balance sheet (extract)</b>	<b>December 31, 2017 RMB'000</b>	<b>IFRS 9 RMB'000</b>	<b>January 1, 2018 RMB'000</b>
<b>Non-current assets</b>			
Finance receivables	16,537,890	(96,339)	16,441,551
Deferred income tax assets	48,293	46,585	94,878
	<u>21,861,254</u>	<u>(49,754)</u>	<u>21,811,500</u>
<b>Current assets</b>			
Finance receivables	13,374,932	(90,001)	13,284,931
	<u>21,005,233</u>	<u>(90,001)</u>	<u>20,915,232</u>
<b>Total assets</b>	<u>42,866,487</u>	<u>(139,755)</u>	<u>42,726,732</u>
<b>Equity attributable to owners of the Company</b>			
Accumulated losses	(19,869,121)	(139,755)	(20,008,876)
	<u>15,342,023</u>	<u>(139,755)</u>	<u>15,202,268</u>
<b>Non-controlling interests</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total equity</b>	<u>15,342,023</u>	<u>(139,755)</u>	<u>15,202,268</u>

#### Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. There is no material classification impact to the Group.

## Impairment of financial assets

The Group has several types of financial assets that are subject to IFRS 9's new expected credit loss model:

- finance receivables
- trade receivables
- other receivables

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets..

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

### ***(b) New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

#### *IFRS 16, "Leases"*

##### Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

##### Impact

The Group has reviewed all of the group's leasing arrangements in implementation at the end of 2018 in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB138,788,000. Of these commitments, short-term leases and low-value leases will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognise right-of-use assets and lease liabilities on January 1, 2019 respectively.

The accounting for lessors will not significantly change. Accordingly, it is not expected to have a significant impact on the financial position and performance for the Group as a lessor. However, some additional disclosures will be required from next year.

## Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

### **3. Financial risk management**

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.

### **4. Critical accounting estimates and judgements**

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.

## 5. Segment information

The segment results for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018		
	Transaction Platform Business <i>RMB'000</i>	Self-operated Financing Business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenues</b>	<b>762,002</b>	<b>4,770,630</b>	<b>5,532,632</b>
— Recognized at a point in time	<b>560,274</b>	<b>400,244</b>	<b>960,518</b>
— Recognized over time	<b>201,728</b>	<b>4,370,386</b>	<b>4,572,114</b>
Gross profit	<b>502,684</b>	<b>1,972,739</b>	<b>2,475,423</b>
Operating profit/(loss)	<b>69,984</b>	<b>(253,808)</b>	<b>(183,824)</b>

The segment results for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017		
	Transaction Platform Business <i>RMB'000</i>	Self-operated Financing Business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenues</b>	<b>963,900</b>	<b>2,941,609</b>	<b>3,905,509</b>
— Recognized at a point in time	<b>456,141</b>	<b>123,539</b>	<b>579,680</b>
— Recognized over time	<b>507,759</b>	<b>2,818,070</b>	<b>3,325,829</b>
Gross profit	<b>751,223</b>	<b>1,438,690</b>	<b>2,189,913</b>
Operating loss	<b>(111,797)</b>	<b>(492,789)</b>	<b>(604,586)</b>

## 6. Other gains, net

	Year ended December 31,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Fair value gain on financial assets (Note 15)	<b>2,585</b>	6,829
Government grants	<b>52,210</b>	19,920
Gains on disposal of property and equipment	<b>46,299</b>	16,207
Other income from business cooperation arrangements with Yusheng	<b>48,102</b>	—
Foreign exchange losses, net	<b>(16,776)</b>	(7,110)
Others, net	<b>(20,717)</b>	(13,454)
	<b><u>111,703</u></b>	<b><u>22,392</u></b>

## 7. Expenses by nature

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Funding costs	2,053,367	1,137,807
Employee benefit expenses (Note 8)	1,141,645	1,620,340
Provision for expected credit losses of finance receivables (Note 17)	496,714	196,320
Cost of automobiles sold	401,937	103,342
Depreciation and amortization charges (Note 12, 13)	392,317	285,743
Leasing related expenses	332,725	174,730
Marketing and advertising expenditures	293,141	479,682
Transaction facilitation commission fee	192,424	—
Provision for impairment of trade receivables	169,730	39,777
Office and administrative expenses	114,365	112,271
Auditors' remuneration	5,870	4,958
Cost of vehicle telematics devices sold	3,632	126,869
Provision for impairment of other receivables (Note 19)	2,596	22,101
Listing expenses	—	54,346
Other expenses	227,696	174,201
<b>Total</b>	<b>5,828,159</b>	<b>4,532,487</b>

## 8. Employee benefit expenses

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	611,835	557,578
Pension and benefits	180,984	149,729
Share-based compensation expenses	348,826	913,033
<b>Total employee benefit expenses</b>	<b>1,141,645</b>	<b>1,620,340</b>



## 9. Finance income, net

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income:</b>		
— Interest income	<u>61,663</u>	<u>50,081</u>
<b>Finance expenses:</b>		
— Interest expenses	(34,097)	(3,035)
— Issuance costs of convertible redeemable preferred shares	<u>—</u>	<u>(14,318)</u>
	<u>(34,097)</u>	<u>(17,353)</u>
<b>Net finance income</b>	<u><u>27,566</u></u>	<u><u>32,728</u></u>

## 10. Income tax expense

Income tax expense of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	146,496	111,240
Deferred income tax	<u>(134,792)</u>	<u>(44,910)</u>
<b>Income tax expense</b>	<u><u>11,704</u></u>	<u><u>66,330</u></u>

## 11. Loss per share

### (a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2018	2017
Loss attributable to owners of the Company (RMB'000)	(166,580)	(18,330,870)
Weighted average number of ordinary shares in issue	<u>6,194,642,296</u>	<u>1,612,050,915</u>
Basic loss per share (expressed in RMB per share)	<u>(0.03)</u>	<u>(11.37)</u>

### (b) *Diluted*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2018, the Company had only one category of potential ordinary shares, i.e. the shares options and restricted shares awarded under the Pre-IPO Share Option and Share Award Schemes. For the year ended December 31, 2017, the Company had two categories of potential ordinary shares, i.e. convertible redeemable preferred shares issued by the Company and the shares options awarded under the Pre-IPO Share Option and Share Award Schemes. As the Group incurred losses for the years ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2018 and 2017 are the same as basic loss per share of the respective years.

## 12. Property and equipment

	Office equipment <i>RMB'000</i>	Automobiles for corporate uses <i>RMB'000</i>	Automobiles for operating leases <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2018					
Cost	52,357	10,438	1,267,556	13,951	1,344,302
Accumulated depreciation	(10,124)	(1,408)	(120,013)	(4,213)	(135,758)
Net book amount	<u>42,233</u>	<u>9,030</u>	<u>1,147,543</u>	<u>9,738</u>	<u>1,208,544</u>
For the year ended December 31, 2018					
Opening net book amount	42,233	9,030	1,147,543	9,738	1,208,544
Additions	19,781	3,407	159,819	1,442	184,449
Disposals	(12,834)	(776)	(805,429)	(111)	(819,150)
Depreciation charge	(11,468)	(2,216)	(204,061)	(2,868)	(220,613)
Closing net book amount	<u>37,712</u>	<u>9,445</u>	<u>297,872</u>	<u>8,201</u>	<u>353,230</u>
As at December 31, 2018					
Cost	56,371	12,779	417,793	15,318	502,261
Accumulated depreciation	(18,659)	(3,334)	(119,921)	(7,117)	(149,031)
Net book amount	<u>37,712</u>	<u>9,445</u>	<u>297,872</u>	<u>8,201</u>	<u>353,230</u>
For the year ended December 31, 2017					
Opening net book amount	18,827	2,597	76,574	5,748	103,746
Additions	31,314	7,837	1,421,140	7,116	1,467,407
Disposals	(110)	(212)	(213,723)	(312)	(214,357)
Distribution to Bitauto Group in 2017					
Reorganization	(493)	—	—	(102)	(595)
Depreciation charge	(7,305)	(1,192)	(136,448)	(2,712)	(147,657)
Closing net book amount	<u>42,233</u>	<u>9,030</u>	<u>1,147,543</u>	<u>9,738</u>	<u>1,208,544</u>
As at December 31, 2017					
Cost	52,357	10,438	1,267,556	13,951	1,344,302
Accumulated depreciation	(10,124)	(1,408)	(120,013)	(4,213)	(135,758)
Net book amount	<u>42,233</u>	<u>9,030</u>	<u>1,147,543</u>	<u>9,738</u>	<u>1,208,544</u>

### 13. Intangible assets

	Goodwill RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements <sup>(a)</sup> RMB'000	Total RMB'000
As at January 1, 2018							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	—	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	<u>116,716</u>	<u>29,441</u>	<u>26,949</u>	<u>26,417</u>	<u>23,341</u>	<u>2,161,897</u>	<u>2,384,761</u>
For the year ended December 31, 2018							
Opening net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
Additions	—	—	—	—	9,062	—	9,062
Disposals	(11,585)	(6)	(25,609)	(14,787)	(10,651)	—	(62,638)
Amortization charge	—	(3,367)	(1,340)	(1,992)	(3,629)	(161,376)	(171,704)
Closing net book amount	<u>105,131</u>	<u>26,068</u>	<u>—</u>	<u>9,638</u>	<u>18,123</u>	<u>2,000,521</u>	<u>2,159,481</u>
As at December 31, 2018							
Cost	105,131	33,668	—	12,828	21,836	2,344,363	2,517,826
Accumulated amortization	—	(7,600)	—	(3,190)	(3,713)	(343,842)	(358,345)
Net book amount	<u>105,131</u>	<u>26,068</u>	<u>—</u>	<u>9,638</u>	<u>18,123</u>	<u>2,000,521</u>	<u>2,159,481</u>
	Goodwill RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements RMB'000	Total RMB'000
As at January 1, 2017							
Cost	115,848	22,201	30,700	25,785	17,652	92,067	304,253
Accumulated amortization	—	(1,537)	(536)	(767)	(1,075)	(57,542)	(61,457)
Net book amount	<u>115,848</u>	<u>20,664</u>	<u>30,164</u>	<u>25,018</u>	<u>16,577</u>	<u>34,525</u>	<u>242,796</u>
For the year ended December 31, 2017							
Opening net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
Additions	—	11,473	—	4,242	7,909	—	23,624
Business combination	5,194	13,896	—	—	3,290	—	22,380
Disposals	(4,326)	(13,896)	—	—	(27)	—	(18,249)
2017 Reorganization	—	—	—	—	—	2,252,296	2,252,296
Amortization charge	—	(2,696)	(3,215)	(2,843)	(4,408)	(124,924)	(138,086)
Closing net book amount	<u>116,716</u>	<u>29,441</u>	<u>26,949</u>	<u>26,417</u>	<u>23,341</u>	<u>2,161,897</u>	<u>2,384,761</u>
As at December 31, 2017							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	—	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	<u>116,716</u>	<u>29,441</u>	<u>26,949</u>	<u>26,417</u>	<u>23,341</u>	<u>2,161,897</u>	<u>2,384,761</u>

- (a) The Business Cooperation Agreements are comprised of the 2015 Traffic Support Services acquired upon the completion of 2015 Reorganization, and 2017 Traffic Support Services, Non-compete Undertakings and Automobile Model Database acquired upon the completion of 2017 Reorganization. The amortization charges are included in the “Selling and marketing expenses” of the consolidated income statements.

A summary of intangible assets recorded as part of 2017 Reorganization is as follows:

	<i>RMB'000</i>
2017 Traffic Support Services	
— Automobile financing services traffic support agreement	459,654
— Used automobile-related business traffic support agreement	872,582
Non-compete Undertakings	309,686
Automobile Model Database	610,374
	<u>2,252,296</u>

#### 14. Investment in an associate

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
At beginning of the year	<b>16,051</b>	100
Additions	—	15,933
Distribution to Bitauto Group in 2017 Reorganization	—	(100)
Share of profit of an associate	<b>1,382</b>	118
	<u><b>17,433</b></u>	<u>16,051</u>

#### 15. Financial assets at fair value through profit or loss

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
At beginning of the year	<b>156,829</b>	150,000
Additions	<b>1,938,786</b>	—
Fair value gain	<b>2,585</b>	6,829
	<u><b>2,098,200</b></u>	<u>156,829</u>



## 17. Finance receivables

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at December 31 , 2018 and 2017 are as below:

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Finance receivables		
— Finance receivables, gross	<b>44,814,974</b>	33,709,509
— Unearned finance income	<b>(7,481,088)</b>	(3,662,518)
Finance receivables, net	<b>37,333,886</b>	30,046,991
Less: provision for expected credit losses	<b>(514,897)</b>	(134,169)
Carrying amount of finance receivables	<b>36,818,989</b>	29,912,822
Finance receivables, gross		
— Within one year	<b>22,767,805</b>	16,484,905
— After one year but not more than five years	<b>22,047,169</b>	17,224,604
	<b>44,814,974</b>	33,709,509
Finance receivables, net		
— Within one year	<b>19,066,088</b>	13,437,607
— After one year but not more than five years	<b>18,267,798</b>	16,609,384
Total	<b>37,333,886</b>	30,046,991

An aging analysis of finance receivables is as follows:

	<b>As at December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Not past due	<b>35,894,622</b>	29,190,773
Past due		
Up to 3 months	<b>1,027,691</b>	610,501
3 to 6 months	<b>219,112</b>	177,070
Over 6 months	<b>192,461</b>	68,647
	<hr/>	<hr/>
Finance receivables, net	<b>37,333,886</b>	30,046,991
Less: provision for expected credit losses	<b>(514,897)</b>	(134,169)
	<hr/>	<hr/>
Carrying amount of finance receivables	<b><u>36,818,989</u></b>	<b><u>29,912,822</u></b>

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

	<b>Provision for expected credit losses RMB'000</b>
Provision Movement:	
At December 31, 2017	<b>134,169</b>
Change in accounting policy	<b>186,340</b>
	<hr/>
At January 1, 2018	<b><u>320,509</u></b>
Recovery of finance receivables written off	9,851
Charge for the year	—
— impairment allowance on finance receivables charged	506,565
— Reversal of impairment for the year	(9,851)
Write off	(312,177)
	<hr/>
At December 31, 2018	<b><u>514,897</u></b>



## 18. Trade receivables

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	919,210	752,394
Less: provision for impairment	<u>(241,989)</u>	<u>(72,259)</u>
Trade receivables, net	<u><b>677,221</b></u>	<u><b>680,135</b></u>

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

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	358,049	425,535
3 to 6 months	18,773	190,275
Over 6 months	<u>300,399</u>	<u>64,325</u>
	<u><b>677,221</b></u>	<u><b>680,135</b></u>

## 19. Prepayments, deposits and other assets

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Included in non-current assets:</b>		
Vehicles purchased for future leases	359,760	583,298
Prepayment for vehicles	149,215	261,768
Long-term prepaid expenses	74,113	123,554
Deposits and others	558,731	390,266
	<u>1,141,819</u>	<u>1,358,886</u>
<b>Included in current assets:</b>		
Other receivables from third parties	435,313	28,716
Prepaid taxes	354,655	432,663
Deposits	184,718	40,269
Loans to third parties	153,057	—
Other receivables from disposal of assets	104,357	—
Prepayments	38,716	56,602
Other receivables due from related parties	25,801	47,308
Advances to used car dealers	11,774	62,843
Operational advance to employees	10,405	51,414
Others	110,256	65,907
	<u>1,429,052</u>	<u>785,722</u>
Less: provision for impairment	<u>(24,092)</u>	<u>(21,496)</u>
	<u>1,404,960</u>	<u>764,226</u>
<b>Total</b>	<u><u>2,546,779</u></u>	<u><u>2,123,112</u></u>

	<b>Individually impaired RMB'000</b>
Provision Movement:	
At January 1, 2018	<b>21,496</b>
Charge for the year	<b>2,596</b>
	<hr/>
At December 31, 2018	<b>24,092</b>
	<hr/> <hr/>
At January 1, 2017	2,606
Charge for the year	22,101
Write off	(3,211)
	<hr/>
At December 31, 2017	<b>21,496</b>
	<hr/> <hr/>

## 20. Cash and bank balances

### (a) Cash and cash equivalents

	<b>As at December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cash and cash equivalents	<b>2,116,197</b>	<b>5,824,706</b>
	<hr/> <hr/>	<hr/> <hr/>

### (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 December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Term deposits pledged for bank borrowings (a)	<b>3,124,554</b>	150,000
Cash deposited for borrowings (b)	<b>401,041</b>	211,368
Cash pledged for bank notes (c)	<b>9,690</b>	145,227
Other deposits in banks	<b>2,904</b>	4,639
	<hr/>	<hr/>
	<b>3,538,189</b>	<b>511,234</b>
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings.
- (b) The balance represents the cash deposited for bank borrowings and cash collected from the finance receivables that are deposited for asset-backed securitization or other secured borrowings by the Group. Such balance is restricted from withdrawal by the Group
- (c) The balance represents the deposits placed with banks and used as pledged assets for the Group's bank notes.

## 21. Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares <i>US\$'000</i>	Number of preferred shares	Nominal value of preferred shares <i>US\$'000</i>
<b>Authorized:</b>				
<b>As at January 1 and December 31 2018</b>	<u>15,000,000,000</u>	<u>1,500</u>	<u>—</u>	<u>—</u>
<b>At January 1, 2017</b>	988,416,450	99	511,583,550	51
Reclassification and re-designation on issuance of series C preferred shares	(108,551,910)	(11)	108,551,910	11
Re-designation and reclassification upon conversion of preferred shares into ordinary shares	620,135,460	62	(620,135,460)	(62)
Increase of authorized ordinary shares	<u>13,500,000,000</u>	<u>1,350</u>	<u>—</u>	<u>—</u>
<b>As at December 31, 2017</b>	<u>15,000,000,000</u>	<u>1,500</u>	<u>—</u>	<u>—</u>

	Number of ordinary shares	Nominal value of ordinary shares <i>US\$'000</i>	Equivalent Nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>
<b>Issued:</b>				
<b>At January 1, 2018</b>	<b>6,276,322,474</b>	<b>616</b>	<b>4,080</b>	<b>34,409,418</b>
Newly issued ordinary shares	90,905,148	—	—	—
Release of ordinary shares from Share Scheme Trusts	—	5	31	167,713
Shares issued upon exercise of employee share options	3,252,030	—	2	11,655
Vesting of restricted awarded shares	—	—	1	3,364
<b>As at December 31, 2018</b>	<b>6,370,479,652</b>	<b>621</b>	<b>4,114</b>	<b>34,592,150</b>
<b>At January 1, 2017</b>	176,270,290	13	83	505,524
Cancellation of ordinary shares	(41,271,230)	—	—	—
Issuance of ordinary shares to Share Scheme Trusts	15,957,262	—	—	—
Conversion of preferred shares into ordinary shares	620,135,460	62	411	28,378,338
Capitalization issue for outstanding ordinary shares	4,530,807,120	453	3,003	(3,003)
Capitalization issue for ordinary shares held by Share Scheme Trusts	95,743,572	—	—	—
Issuance of new shares upon IPO	878,680,000	88	582	5,524,495
Release of ordinary shares from Share Scheme Trusts	—	—	1	4,064
<b>As at December 31, 2017</b>	<b>6,276,322,474</b>	<b>616</b>	<b>4,080</b>	<b>34,409,418</b>

## 22. Other reserves

	Capital reserves <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Share- based compensation reserve <i>RMB'000</i>	Share-held for share award scheme <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At January 1, 2018</b>	<b>(431,554)</b>	<b>64,267</b>	<b>925,597</b>	<b>—</b>	<b>239,336</b>	<b>797,646</b>
Currency translation differences	—	—	—	—	37,196	37,196
Share-based compensation	—	—	348,826	—	—	348,826
Release of ordinary shares from Share Scheme Trusts	—	—	(167,300)	—	—	(167,300)
Shares issued upon exercise of employee share options	—	—	(11,626)	—	—	(11,626)
Vesting of restricted awarded shares	—	—	(3,627)	(2,520)	—	(6,147)
Purchase of restricted shares under share award scheme	—	—	—	(1,585)	—	(1,585)
Appropriation to statutory reserves	—	13,738	—	—	—	13,738
<b>At December 31, 2018</b>	<b>(431,554)</b>	<b>78,005</b>	<b>1,091,870</b>	<b>(4,105)</b>	<b>276,532</b>	<b>1,010,748</b>
<b>At January 1, 2017</b>	<b>(21,779)</b>	<b>17,149</b>	<b>16,618</b>	<b>—</b>	<b>(423,621)</b>	<b>(411,633)</b>
Currency translation differences	—	—	—	—	662,957	662,957
Capital contribution from owners	(6,170)	—	—	—	—	(6,170)
2017 Reorganization	(403,605)	—	—	—	—	(403,605)
Share-based compensation	—	—	913,033	—	—	913,033
Release of ordinary shares from Share Scheme Trusts	—	—	(4,054)	—	—	(4,054)
Appropriation to statutory reserves	—	47,118	—	—	—	47,118
<b>At December 31, 2017</b>	<b>(431,554)</b>	<b>64,267</b>	<b>925,597</b>	<b>—</b>	<b>239,336</b>	<b>797,646</b>

## 23. Share-based payments

### *(a) Pre-IPO Share Option Scheme, First and Second Share Award Scheme*

The total expenses recognized in the consolidated income statement for share-based awards granted to the Group's employees are RMB347,405,000 for the year ended December 31, 2018 (2017: RMB891,727,000).

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

The exercise price of the granted options to employees shall be US\$0.01 per share (being US\$0.0014 after taking into account the Capitalization Issue effective on November 16, 2017).

Movements in the number of share options granted to employees outstanding are as follows:

	<b>Number of share options</b>
Outstanding as at January 1, 2018	<b>392,429,709</b>
Granted during the year	<b>—</b>
Exercised during the year	<b>(49,907,422)</b>
Forfeited during the year	<b>(9,293,573)</b>
Outstanding as at December 31, 2018	<b><u>333,228,714</u></b>
Exercisable as at December 31, 2018	<b><u><u>210,367,397</u></u></b>
Outstanding as at January 1, 2017	<b>—</b>
Granted during the year	<b>56,477,387</b>
Capitalization issue	<b>338,864,322</b>
Exercised during the year	<b>(1,134,000)</b>
Forfeited during the year	<b><u>(1,778,000)</u></b>
Outstanding as at December 31, 2017	<b><u><u>392,429,709</u></u></b>
Exercisable as at December 31, 2017	<b><u><u>192,599,071</u></u></b>

(ii) *Restricted shares units (“RSUs”) granted to employees under the First Share Award Scheme*

Movements in the number of RSUs granted to the Group’s employees and the respective weighted-average grant date fair value are as follows:

	<b>Number of RSUs</b>	<b>Weighted average fair value per RSU (US\$)</b>
Outstanding as at January 1, 2018	—	—
Granted during the year	<b>106,897,010</b>	<b>USD0.31</b>
Vested and sold during the year	<b>(2,621,252)</b>	<b>USD0.35</b>
Forfeited during the year	<b>(4,538,632)</b>	<b>USD0.40</b>
	<u><b>99,737,126</b></u>	<u><b>USD0.30</b></u>
Outstanding as at December 31, 2018		
	<u><b>2,621,252</b></u>	<u><b>USD0.35</b></u>
Vested as at December 31, 2018		

(b) *Bitauto ESOP*

The total expenses recognized in the consolidated income statement for share-based awards granted under Bitauto ESOP to the Group’s employees are RMB1,421,000 for the year ended December 31, 2018 (2017: RMB21,306,000).

**24. Trade payables**

	<b>As at December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Trade payables	<b>661,117</b>	652,662
Note payables	<b>32,300</b>	295,089
	<u><b>693,417</b></u>	<u>947,751</u>



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

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	327,109	692,245
3 to 6 months	54,711	140,823
6 months to 1 year	82,407	59,738
Over 1 year	229,190	54,945
	<u>693,417</u>	<u>947,751</u>

## 25. Other payables and accruals

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loans payable to Bitauto Group	786,430	200,132
Deposits payable	273,378	291,960
Interest payables	227,608	88,721
Advance from customers	168,583	240,590
Deferred revenue (Note 28)	164,867	81,629
Tax payable	93,285	43,136
Staff costs and welfare accruals	88,589	101,791
Other payables to related parties for goods and services	82,205	81,818
Accrued expenses	63,790	120,440
Others	224,437	59,713
	<u>2,173,172</u>	<u>1,309,930</u>

## 26. Borrowings

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
<b>Included in non-current liabilities:</b>		
Pledge borrowings	299,980	50,000
Borrowings guaranteed by Bitauto Group	—	471,200
Asset-backed securitization debt	3,764,348	2,611,821
Other secured borrowings	3,214,449	3,443,912
Unsecured borrowings	1,112,327	1,109,160
	<u>8,391,104</u>	<u>7,686,093</u>
<b>Included in current liabilities:</b>		
Pledge borrowings	2,673,881	100,000
Borrowings guaranteed by Bitauto Group	471,200	400
Asset-backed securitization debt	10,021,333	6,165,429
Other secured borrowings	5,777,585	8,974,174
Unsecured borrowings	2,863,381	2,169,039
	<u>21,807,380</u>	<u>17,409,042</u>
<b>Total borrowings</b>	<u><u>30,198,484</u></u>	<u><u>25,095,135</u></u>

## 27. Deferred income taxes

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
<b>Deferred income tax assets:</b>		
— To be recovered within 12 months	<u>216,543</u>	<u>48,293</u>
<b>Deferred income tax liabilities:</b>		
— To be recovered after 12 months	(2,738)	(13,834)
— To be recovered within 12 months	<u>(164)</u>	<u>(2,195)</u>
	(2,902)	(16,029)
<b>Deferred income tax assets, net</b>	<u><u>213,641</u></u>	<u><u>32,264</u></u>

## 28. Other non-current liabilities

	As at December 31,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Long-term deposits payable	14,607	28,955
Loans payable to Bitauto Group	343,160	—
Deferred revenue	1,444,920	58,370
Other liabilities	144,748	50,689
	<u>1,947,435</u>	<u>138,014</u>

## 29. Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2018 and 2017.

## 30. Contingencies

The Group did not have any material contingent liabilities or guarantees as at December 31, 2018 (2017: nil).

## 31. Subsequent events

Except as disclosed elsewhere in this announcement, there are no material subsequent events undertaken by the Company or by the Group after December 31, 2018.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the year ended December 31, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Employee and Remuneration Policy**

As at December 31, 2018, we had 4,483 full-time employees (December 31, 2017: 4,743). In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme, the details of which are set out in the prospectus of the Company dated November 6, 2017 (the “**Prospectus**”).

### **Compliance With the Corporate Governance Code**

The Company 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 all Shareholders.

The Company adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. In the opinion of the Directors, throughout the year ended December 31, 2018, the Company has complied with all applicable code provisions set out in the CG Code, save and except for the following deviation from code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer 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 our Group as a whole.

Further information of the corporate governance practice of the Company is set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2018.

The Company 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 for securities transactions (the “**Company’s Securities Dealing Code**”) regarding the Directors’ dealings in the securities of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have complied with the Company’s Securities Dealing Code throughout the year ended December 31, 2018.

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

## **Audit Committee and Review of Financial Statements**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chester Tun Ho Kwok, Mr. Tin Fan Yuen and Ms. Lily Li Dong. Mr. Chester Tun Ho Kwok is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2018. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management and the Group’s auditor, PricewaterhouseCoopers. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group’s audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended December 31, 2018.

The consolidated financial statements of the Group for the year ended December 31, 2018 have been audited by PricewaterhouseCoopers, the Group’s auditor.

## **Scope of Work of the Auditor**

The figures contained in this announcement of the Group’s consolidated results and the related notes thereto for the year ended December 31, 2018 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the figures set out in the audited consolidated financial statements of the Group for the year ended December 31, 2018. PricewaterhouseCoopers performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## 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.

	Net proceeds from Global Offering		Utilization up to December 31, 2018		Unutilized amount	
	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000
Sales and marketing	1,952,278	1,657,523	<b>1,952,278</b>	<b>1,657,523</b>	—	—
Research and technology	1,301,519	1,105,016	<b>341,254</b>	<b>289,731</b>	960,265	815,285
Self-operated financing business	1,301,519	1,105,016	<b>1,301,519</b>	<b>1,105,016</b>	—	—
Potential investments or acquisitions	1,301,519	1,105,016	<b>484,000</b>	<b>410,925</b>	817,519	694,091
Working capital and other general corporate purposes	<u>650,760</u>	<u>552,506</u>	<u><b>650,760</b></u>	<u><b>552,506</b></u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><b>6,507,595</b></u>	<u><b>5,525,077</b></u>	<u><b>4,729,811</b></u>	<u><b>4,015,701</b></u>	<u><b>1,777,784</b></u>	<u><b>1,509,376</b></u>

## Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2018 (2017: nil).

## Annual General Meeting

The 2019 annual general meeting (the “AGM”) is scheduled to be held on Friday, May 17, 2019. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

## Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 14, 2019 to Friday, May 17, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, 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 10, 2019.

## **Publication of Annual Results and Annual Report**

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yixincars.com). The annual report of the Group for the year ended December 31, 2018 will be published on the aforesaid websites and dispatched to the Shareholders in due course.

## **APPRECIATION**

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

By Order of the Board  
**Yixin Group Limited**  
易鑫集团有限公司  
**Andy Xuan Zhang**  
*Chairman*

Hong Kong, March 19, 2019

As at the date of this announcement, the Directors are:

<b>Executive Directors</b>	Mr. Andy Xuan Zhang and Mr. Dong Jiang
<b>Non-executive Directors</b>	Mr. James Gordon Mitchell, Mr. Jimmy Chi Ming Lai, Mr. Chenkai Ling and Mr. Xuyang Zhang
<b>Independent non-executive Directors</b>	Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong