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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, 2020

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, 2020. 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

	Year ended December 31,		
	2020	2019	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenues	3,325,215	5,799,982	-43%
Transaction Platform Business	1,338,850	1,759,052	-24%
Loan Facilitation Services	1,185,281	1,668,299	-29%
Guarantee Services	60,592	7,359	723%
After-market Services	27,704	–	N/A
Advertising and Other Services	65,273	83,394	-22%
Self-Operated Financing Business	1,986,365	4,040,930	-51%
Financing Lease Services	1,951,987	3,755,464	-48%
Other Self-operated Services	34,378	285,466	-88%
Gross profit	1,555,639	2,766,458	-44%
Adjusted operating (loss)/profit	(1,114,088)	458,449	N/A
Adjusted net (loss)/profit	(800,101)	439,452	N/A

	Year ended December 31,		
	2020	2019	Year-on-year
	<i>'000</i>	<i>'000</i>	%
Total financed transactions	356	522	-32%
Loan facilitation services	296	347	-15%
Loan facilitation contribution %	83%	66%	

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Yixin Group Limited (“**Yixin**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), I hereby present the annual results announcement of the Group for the year ended December 31, 2020.

The global outbreak of Covid-19 had caused serious disruption to China's auto market since the beginning of 2020. In 2020, China's total sales of new and used passenger vehicle decreased by 4.8% year-on-year, according to data from China Association of Automobile Manufacturers (“**CAAM**”) and China Automobile Dealers Association (“**CADA**”). Meanwhile, the number of our total financed transactions decreased by 32% year-on-year to approximately 356 thousand for the year ended December 31, 2020. The aggregate financing amount through our loan facilitation services and our self-operated financing business was approximately RMB27 billion, representing a year-on-year decrease of 33% compared to RMB40 billion for the year ended December 31, 2019. Other than the Covid-19 factor, the Group took proactive steps to tighten its underwriting standards of the loans that we facilitated as we shifted more towards quality customers with better credit record. In the second half of 2020, however, we have seen a significant recovery of sales transactions. The number of total financed transactions in the second half of 2020 was 235 thousand, which is only 1% decline compared to 237 thousand in the second half of 2019. We achieved this comeback without sacrificing asset quality.

In 2020, we continued to focus on loan facilitation services. Revenue contribution from our loan facilitation services increased to 35% for the year ended December 31, 2020, compared to 29% for the year ended December 31, 2019. For the year ended December 31, 2020, we worked with 17 banks and financial institutions as our loan facilitation partners and facilitated approximately 296 thousand financed transactions through loan facilitation services. Even though it was a 15% volume decline year-on-year compared to 347 thousand in 2019, there was also a 87% increase from 103 thousand for the first half of 2020 to 193 thousand for the second half of 2020, as well as an increase of 5% compared with 183 thousand for the same period of 2019.

Our revenues decreased by 43% to RMB3,325 million for the year ended December 31, 2020, compared to RMB5,800 million for the year ended December 31, 2019, mainly due to the decrease in revenue of our loan facilitation services and financing lease services. Our new core services revenues, which include revenues from loan facilitation transactions and new self-operated financing lease transactions we facilitated during the year, decreased by 47% to RMB1,340 million for the year ended December 31, 2020, compared to RMB2,519 million for the year ended December 31, 2019. We launched auto after-market services in the second half of 2020 to enrich our service scope and value added to our customers. Through services such as quality assurance, we generated RMB28 million revenue for the year ended December 31, 2020. We expect this credit-risk-free business will continue to grow in the future as the penetration goes up.

Our total gross profit decreased by 44% to RMB1,556 million for the year ended December 31, 2020, compared to RMB2,766 million for the year ended December 31, 2019, primarily due to the decrease in total revenues. Our overall gross profit margin decreased slightly to 47% for the year ended December 31, 2020, compared to 48% for the year ended December 31, 2019. Our business recovered during the second half of 2020, which resulted in an adjusted net profit of RMB70 million recorded for the period, as compared with adjusted net loss of RMB871 million for the first half of 2020.

With a wide variety of credit risk control efforts throughout product lifecycle, we have seen improvement on our asset quality across the board. Our 90+ days past due ratio presented a decline trend during the year end December 31, 2020, from 2.46% as at June 30, 2020 to 2.28% as at December 31, 2020. 30-90 days past due ratio has also dropped to a more healthy level. As a result, the expected loss of finance receivables decreased to RMB235 million in the second half of 2020, compared with RMB1,381 million in the first half of year 2020.

In 2020, the Group continued to be committed in optimizing its cost and expense structure. Among other things, we successfully reduced its funding cost from 5.7% for the year ended December 31, 2019 to 5.4% for the year ended December 31, 2020.

As a result, our adjusted operating loss for the year ended December 31, 2020 was RMB1,114 million, compared to an adjusted operating profit of RMB458 million for the year ended December 31, 2019, mainly due to the decrease in gross profit and the increase in credit impairment losses. It is worth noting that we recorded an adjusted operating profit of RMB76 million for the second half of 2020 as compared to adjusted operating loss of RMB1,190 million for the first half of 2020.

On November 5, 2020, we announced the completion of privatization of Bitauto, our then parent company, by the consortium led by Tencent, which effectively became our major shareholder on November 4, 2020 (New York time). We look forward to exploring more business opportunities under this new shareholding structure.

Finally, on behalf of the Board, I would like to extend my sincere gratitude to all Shareholders, investors, the public and our friends for their long held trust and support!

Andy Xuan Zhang
Chairman
Hong Kong
March 24, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2020 Compared To Year Ended December 31, 2019

The following table sets forth the comparative figures for the years ended December 31, 2020 and 2019.

	Year ended December 31,		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Year-on-year %
Revenues	3,325,215	5,799,982	-43%
Cost of revenues	(1,769,576)	(3,033,524)	-42%
Gross profit	1,555,639	2,766,458	-44%
Selling and marketing expenses	(854,141)	(1,062,021)	-20%
Administrative expenses	(438,798)	(505,968)	-13%
Research and development expenses	(150,193)	(195,689)	-23%
Credit impairment losses	(1,812,270)	(1,107,526)	64%
Other income and other gains, net	218,652	154,516	42%
Operating (loss)/profit	(1,481,111)	49,770	N/A
Finance income, net	11,750	28,133	-58%
Share of losses of investments accounted for using the equity method	(28,573)	(1,887)	1,414%
(Loss)/profit before income tax	(1,497,934)	76,016	N/A
Income tax credit/(expense)	342,185	(45,080)	N/A
(Loss)/profit for the year	(1,155,749)	30,936	N/A
<i>Non-IFRSs measures (unaudited)</i>			
Adjusted operating (loss)/profit	(1,114,088)	458,449	N/A
Adjusted net (loss)/profit	(800,101)	439,452	N/A

REVENUES

Our total revenues decreased by 43% to RMB3,325 million for the year ended December 31, 2020, compared to RMB5,800 million for the year ended December 31, 2019, mainly due to the decrease in revenue of our loan facilitation services and financing lease services. Our new core services revenues, which include revenues from loan facilitation transactions and new self-operated financing lease transactions we facilitated during the year, decreased by 47% to RMB1,340 million, compared to RMB2,519 million for the year ended December 31, 2019. The following table sets forth the comparative figures for the years ended December 31, 2020 and 2019.

	For the year ended December 31,				
		2020	Year-on-	2019	
	RMB'000	% of total revenues	year	RMB'000	% of total revenues
Revenues					
Transaction Platform Business					
Loan Facilitation Services	1,185,281	35%	-29%	1,668,299	29%
Other Platform Services	153,569	5%	69%	90,753	1%
Guarantee service	60,592	2%	723%	7,359	–
After-market services	27,704	1%	N/A	–	–
Advertising and other services	65,273	2%	-22%	83,394	1%
Subtotal	1,338,850	40%	-24%	1,759,052	30%
Self-Operated Financing Business					
Financing Lease Services	1,951,987	59%	-48%	3,755,464	65%
From new transactions during the year	154,375	5%	-82%	850,325	15%
From existing transactions in prior years	1,797,612	54%	-38%	2,905,139	50%
Other Self-Operated Services ⁽¹⁾	34,378	1%	-88%	285,466	5%
Subtotal	1,986,365	60%	-51%	4,040,930	70%
Total	3,325,215	100%	-43%	5,799,982	100%

Note:

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

Transaction platform business

Revenues from our transaction platform business decreased by 24% to RMB1,339 million for the year ended December 31, 2020, compared to RMB1,759 million for the year ended December 31, 2019, mainly due to the decrease in revenue of our loan facilitation services, while partially offset by the increase in revenue from guarantee service and after-market services due to our strategy to develop such services. Revenue contribution from transaction platform business continued to increase to 40% for the year ended December 31, 2020, compared to 30% for the year ended December 31, 2019.

Revenues from our loan facilitation services decreased by 29% to RMB1,185 million for the year ended December 31, 2020, compared to RMB1,668 million for the year ended December 31, 2019, mainly due to the decline in transaction volume impacted by the outbreak of Covid-19 in the beginning of 2020. For the year ended December 31, 2020, we facilitated approximately 296 thousand financed transactions, through loan facilitation services, representing a 15% year-on-year decline in volume. Along with the recovery of China's economy and auto industry, our volume of loan facilitation was 193 thousand for the second half of 2020, representing an 87% increase as compared with 103 thousand for the first half of 2020, and representing a 5% increase as compared with 183 thousand for the same period of 2019. Revenue contribution from our loan facilitation services continued to increase to 35% for the year ended December 31, 2020, compared to 29% for the year ended December 31, 2019.

Revenues from our other platform services increased by 69% to RMB154 million for the year ended December 31, 2020, compared to RMB91 million for the year ended December 31, 2019, mainly due to the increase in revenue from auto after-market services and guarantee service. We launched auto after-market services since July, 2020 to enrich the scope and value added to our customer and generated revenue of RMB28 million for the year ended December 31, 2020. Our revenue from guarantee service was RMB61 million for the year ended December 31, 2020, increased by 723% from RMB7 million for the year ended December 31, 2019, as a subsidiary of the Group with financing guarantee licence provided guarantees on loans with respect to our loan facilitation services in 2020. Advertising and other services decreased by 22% to RMB65 million for the year ended December 31, 2020, compared to RMB83 million for the year ended December 31, 2019, due to our strategy to de-emphasize such services.

Self-operated financing business

Revenues from our self-operated financing business decreased by 51% to RMB1,986 million for the year ended December 31, 2020, compared to RMB4,041 million for the year ended December 31, 2019, primarily due to the decrease in revenues generating from our financing lease services. For the year ended December 31, 2020, we facilitated approximately 60 thousand financed transactions, through self-operated financing business, representing a 66% year-on-year decrease in volume, reflecting our strategy to focus on loan facilitation services.

Revenues from our financing lease services decreased by 48% to RMB1,952 million for the year ended December 31, 2020, compared to RMB3,755 million for the year ended December 31, 2019, due to the decrease in revenues from both existing financing lease transactions in prior periods and new financing lease transactions during the year ended December 31, 2020. For the year ended December 31, 2020, we generated RMB154 million revenues from new financing lease transactions for the year ended December 31, 2020 and RMB1,798 million revenue from existing financing lease transactions, compared to RMB850 million and RMB2,905 million, respectively, for the year ended December 31, 2019. The average yield of our net finance receivables⁽¹⁾ was 9.9% for the year ended December 31, 2020, compared to 11.3% for the year ended December 31, 2019, primarily due to our sales promotion and offering of more products with lower interest rate to stimulate the recovery of financed automobile transactions.

Note:

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

Revenues from our other self-operated services decreased by 88% to RMB34 million for the year ended December 31, 2020, compared to RMB285 million for the year ended December 31, 2019, primarily due to the decrease in revenues from automobile sales due to our strategy to de-emphasize such business. Revenues from automobile sales were RMB23 million for the year ended December 31, 2020, compared to RMB242 million for the year ended December 31, 2019.

COST OF REVENUES

Cost of revenues were RMB1,770 million for the year ended December 31, 2020, decreased by 42% from RMB3,034 million for the year ended December 31, 2019, primarily due to the decrease in funding costs associated with our self-operated financing lease services, the decrease in costs associated with automobile sales and the decrease of commissions associated with our loan facilitation services.

Cost of revenues of our transaction platform business decreased by 15% to RMB612 million for the year ended December 31, 2020, compared to RMB723 million for the year ended December 31, 2019. The decrease was primarily due to the decrease in commissions associated with our loan facilitation services and the decrease in costs associated with advertising services. Loan facilitation commissions were RMB594 million for the year ended December 31, 2020, compared to RMB663 million for the year ended December 31, 2019. Costs associated with advertising services were RMB13 million for the year ended December 31, 2020, compared to RMB54 million for the year ended December 31, 2019.

Cost of revenues of our self-operated financing business decreased by 50% to RMB1,157 million for the year ended December 31, 2020, compared to RMB2,310 million for the year ended December 31, 2019, primarily due to the decrease in funding costs associated with our self-operated financing lease services and the decrease in costs associated with automobile sales. Funding costs decreased by 45% to RMB1,055 million for the year ended December 31, 2020, compared to RMB1,903 million for the year ended December 31, 2019. The average funding cost of our net finance receivables⁽¹⁾ was 5.4% for the year ended December 31, 2020, compared to 5.7% for the year ended December 31, 2019. Costs associated with automobile sales decreased by 92% from RMB282 million for the year ended December 31, 2019 to RMB23 million for the year ended December 31, 2020.

Note:

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

GROSS PROFIT AND MARGINS

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Segment gross profit and gross profit margins				
Transaction Platform Business	726,466	54%	1,035,873	59%
Self-operated Financing Business	829,173	42%	1,730,585	43%
Total	<u>1,555,639</u>	<u>47%</u>	<u>2,766,458</u>	<u>48%</u>

Our total gross profit decreased by 44% to RMB1,556 million for the year ended December 31, 2020, compared to RMB2,766 million for the year ended December 31, 2019, primarily due to the decrease in total revenues. Our overall gross profit margin decreased slightly to 47% for the year ended December 31, 2020, compared to 48% for the year ended December 31, 2019.

Gross profit of our transaction platform business decreased by 30% to RMB726 million for the year ended December 31, 2020, compared to RMB1,036 million for the year ended December 31, 2019, mainly due to the decrease in revenues from our loan facilitation services, and partially offset by the increase in revenues from guarantee service and after-market services. Gross profit margin of our transaction platform business decreased to 54% for the year ended December 31, 2020, compared to 59% for the year ended December 31, 2019, primarily due to the increase of commissions associated with loan facilitation services as to revenue.

Gross profit of our self-operated financing business decreased by 52% to RMB829 million for the year ended December 31, 2020, compared to RMB1,731 million for the year ended December 31, 2019, mainly due to the decrease in revenue from our self-operated financing lease services. Gross profit margin of our self-operated financing business decreased slightly to 42% for the year ended December 31, 2020, compared to 43% for the year ended December 31, 2019. The average spread of our net finance receivables⁽¹⁾ was 4.5% for the year ended December 31, 2020, compared to 5.6% for the year ended December 31, 2019, primarily due to our sales promotion which offered more products with lower interest rate.

Note:

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

SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by 20% to RMB854 million for the year ended December 31, 2020, compared to RMB1,062 million for the year ended December 31, 2019, primarily due to a decrease in salary and benefit expenses, share-based compensation expenses and professional service fees, which was in line with the drop in revenue. Share-based compensation expenses for our sales and marketing personnel were RMB16 million for the year ended December 31, 2020, compared to RMB46 million for the year ended December 31, 2019.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by 13% to RMB439 million for the year ended December 31, 2020, compared to RMB506 million for the year ended December 31, 2019, primarily due to the decrease in salary and employee benefit expenses and share-based compensation expenses. Share-based compensation expenses for our administrative personnel were RMB74 million for the year ended December 31, 2020, compared to RMB150 million for the year ended December 31, 2019.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses decreased by 23% to RMB150 million for the year ended December 31, 2020, compared to RMB196 million for the year ended December 31, 2019, primarily due to the decrease in salary and benefit expenses, share-based compensation expenses and professional service fees. Share-based compensation expenses for our research and development personnel were RMB15 million for the year ended December 31, 2020, compared to RMB37 million for the year ended December 31, 2019.

CREDIT IMPAIRMENT LOSSES

Credit impairment losses include (i) provision for expected credit losses of finance receivables; (ii) provision for expected credit losses of risk assurance liabilities and loans recognized as a result of payment under risk assurance, and (iii) provision for impairment losses of trade receivables and other receivables. Credit impairment losses increased by 64% to RMB1,812 million for the year ended December 31, 2020, compared to RMB1,108 million for the year ended December 31, 2019.

Provision for expected credit losses of finance receivables was RMB1,616 million for the year ended December 31, 2020, compared to RMB812 million for the year ended December 31, 2019. During the first half of 2020, RMB1,381 million of expected credit losses was provided, which contributed approximately 85% of that for the year ended December 31, 2020, as the Covid-19 outbreak reduced consumer's repayment capability. The expected loss of finance receivables decreased significantly to RMB235 million in the second half of year 2020, as we took proactive steps to tighten underwriting standards for new loans we facilitated as well as reinforced our effort on collection of overdue payments.

Provision for expected credit losses of risk assurance liabilities and loans recognized as a result of payment under risk assurance increased to RMB165 million for the year ended December 31, 2020 from RMB14 million for the year ended December 31, 2019, primarily due to increase in the scale of guarantee services provided with respect to our loan facilitation services by a subsidiary of the Group with financing guarantee licence. Provision for impairment of trade receivables decreased by 88% to RMB31 million for the year ended December 31, 2020, compared to RMB268 million for the year ended December 31, 2019, mainly due to the drop of advertising and other services we provided to auto dealers.

OTHER INCOME AND OTHER GAINS, NET

Other income and other gains, net increased by 42% to RMB219 million for the year ended December 31, 2020, compared to RMB155 million for the year ended December 31, 2019. The increase was primarily due to the increase in gains associated with business cooperation agreements with Yusheng Holdings Limited (“**Yusheng**”), the increase in government grants and the decrease in bank fees and charges.

OPERATING (LOSS)/PROFIT

We recorded an operating loss of RMB1,481 million for the year ended December 31, 2020 as compared to an operating profit of RMB50 million for the year ended December 31, 2019, mainly due to the decrease in gross profit and the increase in credit impairment losses.

FINANCE INCOME, NET

Our finance income, net decreased by 58% to RMB12 million for the year ended December 31, 2020, compared to RMB28 million for the year ended December 31, 2019, mainly due to the decrease in interest income from bank deposits.

SHARE OF LOSSES OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Our share of losses of investments accounted for using equity method was RMB29 million for the year ended December 31, 2020, compared to RMB2 million for the year ended December 31, 2019, mainly due to the share of net loss of Dalian Rongxin Financial Guarantees Co., Ltd. (“**Dalian Rongxin**”). The acquisition of 32.20% equity interest of Dalian Rongxin was completed in October 2020 and Dalian Rongxin became an associate of the Group during the year ended December 31, 2020. Details of this investment into Dalian Rongxin are set out in the announcement of the Company dated August 2, 2019.

INCOME TAX CREDIT/(EXPENSE)

Our income tax credit was RMB342 million for the year ended December 31, 2020, compared to an income tax expense of RMB45 million for the year ended December 31, 2019, mainly due to operating loss incurred during the year.

(LOSS)/PROFIT FOR THE YEAR

Our loss for the year ended December 31, 2020 was RMB1,156 million, compared to a profit of RMB31 million for the year ended December 31, 2019, mainly due to the decrease in gross profit and the increase in credit impairment losses.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil).

NON-IFRSS MEASURES

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

Adjusted operating profit eliminates the effect of certain non-cash items and one-time events, namely fair value gain on financial assets, amortization of intangible assets resulting from asset and business acquisitions and share-based compensation expenses (“**Adjusted Operating (Loss)/Profit**”). Adjusted net profit eliminates the effect of the aforesaid items and any related tax impact (“**Adjusted Net (Loss)/Profit**”). The terms Adjusted Operating (Loss)/Profit and Adjusted Net (Loss)/Profit are not defined under the IFRSs. The use of Adjusted Operating (Loss)/Profit and Adjusted Net (Loss)/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 (Loss)/Profit and Adjusted Net (Loss)/Profit is a significant component in understanding and assessing our operating and financial performance.

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

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Operating (loss)/profit	(1,481,111)	49,770
Add:		
Fair value gain on financial assets	(444)	–
Amortization of intangible assets resulting from asset and business acquisitions	262,424	175,555
Share-based compensation expenses	105,043	233,124
	<u>(1,114,088)</u>	<u>458,449</u>
Adjusted Operating (Loss)/Profit		
	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit	(1,155,749)	30,936
Add:		
Fair value gain on financial assets	(444)	–
Amortization of intangible assets resulting from asset and business acquisitions net of tax	262,229	175,392
Share-based compensation expenses	93,863	233,124
	<u>(800,101)</u>	<u>439,452</u>
Adjusted Net (Loss)/Profit		

ADJUSTED OPERATING (LOSS)/PROFIT AND MARGINS

We recorded an adjusted operating loss of RMB1,114 million for the year ended December 31, 2020 as compared to RMB458 million of adjusted operating profit for the year ended December 31, 2019, mainly due to the decrease in gross profit and the increase in credit impairment losses. It is worth noting that we recorded an adjusted operating profit of RMB76 million for the second half of 2020 as compared to adjusted operating loss of RMB1,190 million for the first half of 2020.

ADJUSTED NET (LOSS)/PROFIT AND MARGIN

We recorded an adjusted net loss of RMB800 million for the year ended December 31, 2020, compared to an adjusted net profit of RMB439 million for the year ended December 31, 2019, mainly due to the decrease in gross profit and substantial increase in credit impairment losses as discussed above. Our business gradually recovered during the second half of 2020, which resulted in an adjusted net profit of RMB70 million recorded for the period, as compared with net loss of RMB871 million for the first half of 2020.

SELECTED FINANCIAL INFORMATION FROM OUR CONSOLIDATED BALANCE SHEET

	As at December 31,		Year-on-year %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Carrying amount of finance receivables	12,771,860	26,904,149	-53%
Cash and cash equivalent	2,711,558	1,586,817	71%
Total borrowings	10,147,383	19,840,169	-49%
Current assets	16,883,448	22,409,003	-25%
Current liabilities	10,215,050	18,890,005	-46%
Net current assets	6,668,398	3,518,998	89%
Total equity	14,533,862	15,713,054	-8%

FINANCE RECEIVABLES

We provide financing lease services in our self-operated financing business segment. Customers pay us interest and principal on a monthly basis. Our carrying amount of finance receivables decreased to RMB12.8 billion as at December 31, 2020, compared to RMB26.9 billion as at December 31, 2019, primarily due to our strategy to focus on loan facilitation services.

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

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

	As at December 31,	
	2020	2019
	<i>(RMB'000, except for percentage)</i>	
Finance receivables, net (ending balance)	13,272,420	27,583,876
Provision for expected credit losses (ending balance)	(500,560)	(679,727)
Provision to net finance receivables ratio ⁽¹⁾	3.77%	2.46%

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

	As at December 31,	
	2020	2019
	<i>(RMB'000, except for percentage)</i>	
Past due ratio:		
180+ days ⁽²⁾	1.62%	0.33%
90+ days (including 180+ days) ⁽³⁾	2.28%	1.30%

Notes:

- (1) Provision for expected credit losses divided by net finance receivables.
- (2) 180+ days past due net finance receivables from self-operated financing lease services and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balances.
- (3) 90+ days (including 180+ days) past due net finance receivables from self-operated financing lease services and past due outstanding loan balances from loan facilitation services divided by total net finance receivables and outstanding loan balances.

As at December 31, 2020, our 180+ days past due ratio and 90+ days (including 180+ days) past due ratio for all financed transactions including both our self-operated financing lease services and loan facilitation services were 1.62% and 2.28% respectively (December 31, 2019: 0.33% and 1.30% respectively). The ratio increased as at December 31, 2020 mainly due to the Covid-19 outbreak in the first half of 2020. During the year ended December 31, 2020, we adhered to more prudent strategies of credit risk control, we took proactive steps to tighten underwriting standards of the loans as we shifted more towards quality customers with better credit record; meanwhile, we made variety of credit risk control efforts throughout product life cycle, such as more focus on the collection measures for early stage of overdue, improving the efficiency of used car disposal, increasing the number and efficiency of litigation, etc. As a result, the 90+ days past due ratio presented a decline trend during the year end December 31, 2020, from 2.46% as at June 30, 2020 to 2.28% as at December 31, 2020.

CASH AND CASH EQUIVALENTS

As at December 31, 2020, we had cash and cash equivalents of RMB2,712 million, compared with RMB1,587 million as at December 31, 2019. The increase in cash and cash equivalents was mainly due to the collection of interest and principal from our financing lease services.

As at December 31, 2020, RMB2,687 million of cash and cash equivalents were denominated in RMB, compared to RMB1,530 million as at December 31, 2019.

Our net cash inflow generated from operating activities was RMB12.3 billion for the year ended December 31, 2020, compared to a net cash inflow of RMB11.5 billion for the year ended December 31, 2019.

BORROWINGS AND SOURCE OF FUNDS

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

For our loan facilitation services, we currently work with 17 banks and financial institutions as our partners. In addition to our equity funding and cash flow from operations, we also issued asset backed securities and notes as well as obtained loans and borrowings from banks and other financial institutions.

As at December 31, 2020, our total borrowings were RMB10.1 billion, compared to RMB19.8 billion as at December 31, 2019. The decrease was mainly due to our strategy to focus on loan facilitation services. Total borrowings comprised of (i) asset backed securities and notes of RMB2.7 billion as at December 31, 2020; and (ii) bank loans and borrowings from other institutions of RMB7.4 billion. Asset backed securities and notes as a percentage of our total borrowings was 26% as at December 31, 2020.

Yixin is a seasoned and highly recognized issuer in China's asset backed securities market. As at December 31, 2020, Yixin has offered accumulatively 26 asset backed securities and notes publicly with a total issuance amount of over RMB36.6 billion on Shanghai Stock Exchange ("SSE"), National Association of Financial Market Institutional Investors ("NAFMII") and Shanghai Insurance Exchange ("SHIE").

NET CURRENT ASSETS

Our net current assets increased by 89% to RMB6,668 million as at December 31, 2020, compared to RMB3,519 million as at December 31, 2019. Our current assets were RMB16.9 billion as at December 31, 2020, compared to RMB22.4 billion as at December 31, 2019, primarily due to the decrease in current portion of finance receivables. Our current liabilities were RMB10.2 billion as at December 31, 2020, compared to RMB18.9 billion as at December 31, 2019, primarily due to the repayment of borrowings in line with the decrease of finance receivables.

KEY FINANCIAL RATIOS

	As at December 31,	
	2020	2019
Current ratio (times) ⁽¹⁾	1.65	1.19
Gearing ratio ⁽²⁾	25%	51%
Debt to equity ratio (times) ⁽³⁾	0.70	1.28

Notes:

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

Current Ratio

Our current ratio increased to 1.65 as at December 31, 2020, compared to 1.19 as at December 31, 2019, mainly due to the decrease in current liabilities of the Group.

Gearing Ratio

Our gearing ratio decreased to 25% as at December 31, 2020, compared to 51% as at December 31, 2019, mainly due to a great reduction in net debt as a result of the substantially decline in volume of financing lease services base on our strategy to focus on loan facilitation services.

Debt to Equity Ratio

Our debt to equity ratio decreased to 0.70 as at December 31, 2020, compared to 1.28 as at December 31, 2019, due to the decrease in total borrowings.

CAPITAL EXPENDITURE AND INVESTMENTS

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property and equipment and other non-current assets	19,119	472,921
Purchase of intangible assets	2,523	6,283
Investments in financial assets at fair value through profit or loss	160,298	422,318
Investments in associates and subsidiaries in the form of ordinary shares	77,730	407,500
Total	259,670	1,309,022

FOREIGN EXCHANGE RISK

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and the Hong Kong Dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2020 and 2019.

Details of the currencies in which cash and cash equivalents are held and in which borrowings are made are set out in Note 21 and Note 27 to the consolidated financial statements, respectively.

SIGNIFICANT INVESTMENTS HELD

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

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

In November 2019 and December 2020, the Company subscribed additional convertible note issued by Yusheng with a cash consideration of US\$43 million (equivalent to approximately HK\$335 million) and a cash consideration of US\$12 million (equivalent to approximately HK\$95 million), respectively, to further strength our cooperation relationship with Yusheng in used automobile business.

Yusheng archived significant growth with increasing volume and revenue for the second half of 2020 and made important contribution to our financed used automobile transactions, although Yusheng's revenue for the year ended December 31, 2020 were almost equal to that for the year ended December 31, 2019 due to the outbreak of the Covid-19 in the first half of 2020.

As at December 31, 2020, fair value of our investment in Yusheng was RMB2,129,753,000 (December 31, 2019: RMB2,118,909,000) which constituted 7.7% of total assets (December 31, 2019: 5.4%). The Company did not receive any dividend for the years ended December 31, 2020 and 2019.

Save as disclosed above, we did not hold any significant investments in the equity interests of any other companies for the year ended December 31, 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICY

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

As at December 31, 2020, we had 3,554 full-time employees (December 31, 2019: 4,177). In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme, the details of which are set out in the prospectus of the Company dated November 6, 2017 (the "**Prospectus**"), and Note 24 to the consolidated financial statements.

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

The total remuneration cost (including share-based compensation) incurred by the Group for the year ended December 31, 2020 was RMB688 million, compared to RMB986 million for the year ended December 31, 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

On August 2, 2019, Xince Investment, an indirect wholly-owned subsidiary of the Company, Beijing Bitauto Internet Information Company Limited (“**Beijing Bitauto**”) and Dalian Rongxin entered into the investment agreement pursuant to which Xince Investment or its designated entity which is intended to be a wholly-owned subsidiary of the Company, as the investor (the “**Investor**”), would invest RMB475 million into Dalian Rongxin (the “**Investment**”). After the Investment, Dalian Rongxin will be held by Beijing Bitauto and the Investor as to approximately 67.80% and 32.20%, respectively. The acquisition was completed in October 2020, and after the acquisition, Dalian Rongxin became an associate of the Group.

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

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries or associated companies for the year ended December 31, 2020.

PLEDGE OF ASSETS

Certain deposits placed with banks were used as pledged assets for the Group’s bank borrowings and bank notes as well as loan facilitation services. Certain finance receivables were used as pledge for the borrowings and securitization transactions. For more details, please refer to the Notes 21 and 27 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at December 31, 2020, we did not have any material contingent liabilities (December 31, 2019: nil).

CONSOLIDATED INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2020

		Year ended December 31,	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
Revenues	<i>5</i>		
Transaction Platform Business		1,338,850	1,759,052
Self-operated Financing Business		1,986,365	4,040,930
		<u>3,325,215</u>	<u>5,799,982</u>
Cost of revenues	<i>7</i>	<u>(1,769,576)</u>	<u>(3,033,524)</u>
Gross profit		1,555,639	2,766,458
Selling and marketing expenses	<i>7</i>	(854,141)	(1,062,021)
Administrative expenses	<i>7</i>	(438,798)	(505,968)
Research and development expenses	<i>7</i>	(150,193)	(195,689)
Credit impairment losses	<i>7</i>	(1,812,270)	(1,107,526)
Other income and other gains, net	<i>6</i>	218,652	154,516
Operating (loss)/profit		<u>(1,481,111)</u>	<u>49,770</u>
Finance income, net	<i>9</i>	11,750	28,133
Share of losses of investments accounted for using the equity method	<i>15</i>	<u>(28,573)</u>	<u>(1,887)</u>
(Loss)/Profit before income tax		(1,497,934)	76,016
Income tax credit/(expense)	<i>10</i>	<u>342,185</u>	<u>(45,080)</u>
(Loss)/Profit for the year		<u>(1,155,749)</u>	<u>30,936</u>
(Loss)/Profit attributable to:			
– Owners of the Company		(1,155,749)	30,936
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(1,155,749)</u>	<u>30,936</u>
(Loss)/Profit per share attributable to owners of the Company for the year (expressed in RMB per share)	<i>11</i>		
– Basic		<u>(0.18)</u>	<u>0.01</u>
– Diluted		<u>(0.18)</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit for the year	<u>(1,155,749)</u>	<u>30,936</u>
Other comprehensive income, net of tax:		
<i>Items that may not be reclassified to profit or loss</i>		
<i>Currency translation differences</i>	<u>(122,403)</u>	<u>33,493</u>
Total comprehensive (loss)/income for the year	<u>(1,278,152)</u>	<u>64,429</u>
Attributable to:		
– Owners of the Company	(1,278,152)	64,429
– Non-controlling interests	<u>–</u>	<u>–</u>
	<u>(1,278,152)</u>	<u>64,429</u>

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2020

	<i>Note</i>	As at December 31,	
		2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	<i>12</i>	484,944	108,380
Right-of-use assets	<i>13</i>	24,619	34,958
Intangible assets	<i>14</i>	1,722,892	1,990,078
Investments in associates	<i>15</i>	461,973	15,546
Financial assets at fair value through profit or loss	<i>16</i>	2,568,860	2,550,085
Deferred income tax assets	<i>28</i>	702,195	423,679
Prepayments, deposits and other assets	<i>20</i>	686,207	1,707,953
Finance receivables	<i>18</i>	3,923,125	10,192,954
Restricted cash	<i>21</i>	67,359	114,318
		<u>10,642,174</u>	<u>17,137,951</u>
Current assets			
Finance receivables	<i>18</i>	8,848,735	16,711,195
Trade receivables	<i>19</i>	1,261,970	1,056,213
Prepayments, deposits and other assets	<i>20</i>	1,531,685	1,261,769
Restricted cash	<i>21</i>	2,529,500	1,793,009
Cash and cash equivalents	<i>21</i>	2,711,558	1,586,817
		<u>16,883,448</u>	<u>22,409,003</u>
Total assets		<u>27,525,622</u>	<u>39,546,954</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	<i>22</i>	4,182	4,148
Share premium	<i>22</i>	34,882,666	34,739,193
Other reserves	<i>23</i>	971,426	1,138,370
Accumulated losses		<u>(21,324,412)</u>	<u>(20,168,657)</u>
Total equity		<u>14,533,862</u>	<u>15,713,054</u>

	<i>Note</i>	As at December 31,	
		2020	2019
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	27	1,561,800	3,431,524
Lease liabilities	13	10,937	17,101
Deferred income tax liabilities	28	3,452	2,737
Other non-current liabilities	29	1,200,521	1,492,533
		<u>2,776,710</u>	<u>4,943,895</u>
Current liabilities			
Trade payables	25	317,760	472,328
Other payables and accruals	26	1,163,533	1,758,995
Current income tax liabilities		136,911	237,758
Borrowings	27	8,585,583	16,408,645
Lease liabilities	13	11,263	12,279
		<u>10,215,050</u>	<u>18,890,005</u>
Total liabilities		<u>12,991,760</u>	<u>23,833,900</u>
Total equity and liabilities		<u>27,525,622</u>	<u>39,546,954</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	<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 equity <i>RMB'000</i>
Balance at January 1, 2020		4,148	34,739,193	1,138,370	(20,168,657)	15,713,054
Comprehensive loss						
Loss for the year		-	-	-	(1,155,749)	(1,155,749)
Currency translation differences	23	-	-	(122,403)	-	(122,403)
Total comprehensive loss for the year		-	-	(122,403)	(1,155,749)	(1,278,152)
Transactions with owners in their capacity as owners						
Share-based compensation	8, 23, 24	-	-	105,043	-	105,043
Appropriation to statutory surplus reserve	23	-	-	6	(6)	-
Release of ordinary shares from Share Scheme Trusts	22, 23, 24	17	87,411	(87,189)	-	239
Shares issued upon exercise of employee share options	22, 23, 24	2	10,450	(10,423)	-	29
Vesting of restricted awarded shares	22, 23, 24	15	45,612	(45,627)	-	-
Purchase of restricted shares under share award scheme	23, 24	-	-	(6,351)	-	(6,351)
Total transactions with owners in their capacity as owners		34	143,473	(44,541)	(6)	98,960
Balance at December 31, 2020		4,182	34,882,666	971,426	(21,324,412)	14,533,862

	<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 equity <i>RMB'000</i>
Balance at January 1, 2019		<u>4,114</u>	<u>34,592,150</u>	<u>1,010,748</u>	<u>(20,189,194)</u>	<u>15,417,818</u>
Comprehensive income						
Profit for the year		–	–	–	30,936	30,936
Currency translation differences	23	–	–	33,493	–	33,493
Total comprehensive income for the year		–	–	33,493	30,936	64,429
Transactions with owners in their capacity as owners						
Share-based compensation	8, 23, 24	–	–	233,124	–	233,124
Appropriation to statutory surplus reserve	23	–	–	10,399	(10,399)	–
Release of ordinary shares from Share Scheme Trusts	22, 23, 24	16	87,406	(87,190)	–	232
Shares issued upon exercise of employee share options	22, 23, 24	2	11,490	(11,460)	–	32
Vesting of restricted awarded shares	22, 23, 24	16	48,147	(48,163)	–	–
Purchase of restricted shares under share award scheme	23, 24	–	–	(2,581)	–	(2,581)
Total transactions with owners in their capacity as owners		34	147,043	94,129	(10,399)	230,807
Balance at December 31, 2019		<u>4,148</u>	<u>34,739,193</u>	<u>1,138,370</u>	<u>(20,168,657)</u>	<u>15,713,054</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	<i>Note</i>	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		12,287,200	11,620,309
Income tax paid		(35,600)	(123,657)
		<hr/>	<hr/>
Net cash generated from operating activities		12,251,600	11,496,652
		<hr/> <hr/>	<hr/> <hr/>
Cash flows from investing activities			
Interest received		43,679	91,953
Proceeds from disposal of property and equipment and intangible assets		4,159	918
Purchase of property and equipment and other non-current assets		(19,119)	(496,422)
Purchase of intangible assets		(2,523)	(6,666)
Loans to a related party		(50,000)	(22,000)
Loans to third parties		(213,900)	(283,929)
Repayments from loans to third parties		156,000	353,006
Repayments from loans to a related party		50,000	–
Investments in financial assets at fair value through profit or loss	<i>16</i>	(160,298)	(422,318)
Prepayment for an investment		–	(400,000)
Investment in an associate		(75,000)	–
Acquisition of a subsidiary, net of cash acquired		(2,730)	(7,500)
Placements of restricted cash		(1,881,471)	(4,761,739)
Maturity of restricted cash		1,955,630	7,088,077
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(195,573)	1,133,380
		<hr/> <hr/>	<hr/> <hr/>

	Year ended December 31,	
<i>Note</i>	2020	2019
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	10,004,541	24,039,867
Repayment of borrowings	(19,743,229)	(34,598,344)
Release of deposits for borrowings	253,561	92,511
Proceeds of loans from Bitauto Group	300,000	300,000
Repayment of loans from Bitauto Group	(600,000)	(1,144,406)
Principal elements of lease payments	(8,904)	(32,488)
Proceeds from exercise of share options	29	32
Purchase of restricted shares under share award scheme	(6,351)	(2,581)
Interest paid	(1,135,668)	(1,821,090)
Net cash used in financing activities	<u>(10,936,021)</u>	<u>(13,166,499)</u>
Net increase/(decrease) in cash and cash equivalents	1,120,006	(536,467)
Cash and cash equivalents at beginning of year	1,586,817	2,116,197
Exchange gains on cash and cash equivalents	4,735	7,087
Cash and cash equivalents at end of year	<u>2,711,558</u>	<u>1,586,817</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’s shares were listed on the Main Board of THE Stock Exchange of Hong Kong Limited since November 16, 2017.

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

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

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, 2020, other than restrictions from exchange control regulations, there is no significant restriction on the Group’s ability to access or use the assets and settle the liabilities of the Group.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) *New and amended standards adopted by the Group*

The following amended standards are mandatory for the first time for the Group’s financial year beginning on January 1, 2020 and are applicable for the Group:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of Business – Amendments to IFRS 3;
- Revised Conceptual Framework for Financial Reporting;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7.

The above amendments to IFRS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group’s consolidated financial statements.

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

The following new accounting standards and interpretations have been published but are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual periods beginning on or after
Covid-19-related Rent Concessions – Amendment to IFRS 16	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 1, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	January 1, 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
IFRS 17 Insurance Contracts	January 1, 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Credit risk

(i) Risk management

Credit risk is managed on group basis. Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables, other receivables, finance receivables and investment in debt instruments.

To manage this risk arising from cash and cash equivalents, and restricted cash, the Group only transacts with state-owned or large medium sized joint-stock commercial banks in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

The Group has policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

Finance receivables are typically secured with automobiles for financing leases and derived from revenues earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains reserves for expected credit losses and these losses have generally been within its expectations.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward-looking information.

The Group's investments in debt instruments and unlisted securities measured at FVTPL are not subject to the ECL assessment.

(ii) *Expected credit loss measurement*

Models

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

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

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

Change in credit quality since initial recognition

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

Significant increase in credit risk (SICR)

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

Definition of default and credit-impaired assets

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

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

Measuring ECL-Explanation of inputs, assumptions and estimation techniques

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

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

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

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

Forward-looking information incorporated in the ECL models

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

Maximum exposure to credit risk-Financial instruments subject to impairment

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

Maximum exposure to credit risk of the Group					
As at December 31, 2020					
	Stage I	Stage II	Stage III	Simplified Approach	
	12 months expected credit loss <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Total <i>RMB'000</i>
Finance receivables	12,347,806	437,800	486,814	-	13,272,420
Trade receivables	-	-	-	1,390,345	1,390,345
Other receivables	-	1,372,023	211,537	469,130	2,052,690
Gross balance	12,347,806	1,809,823	698,351	1,859,475	16,715,455
Allowance for impairment losses	(167,519)	(169,346)	(241,446)	(128,375)	(706,686)
Net balance	12,180,287	1,640,477	456,905	1,731,100	16,008,769
Off balance-sheet items	17,816,726	669,428	-	-	18,486,154
Risk assurance liabilities	(229,043)	(48,414)	-	-	(277,457)
Maximum exposure to credit risk of the Group					
As at December 31, 2019					
	Stage I	Stage II	Stage III	Simplified Approach	
	12 months expected credit loss <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Expected credit loss since purchased <i>RMB'000</i>	Total <i>RMB'000</i>
Finance receivables	25,912,302	1,000,376	671,198	-	27,583,876
Trade receivables	-	-	-	1,153,611	1,153,611
Other receivables	-	1,274,758	69,186	373,711	1,717,655
Gross balance	25,912,302	2,275,134	740,384	1,527,322	30,455,142
Allowance for impairment losses	(175,605)	(271,190)	(284,171)	(97,398)	(828,364)
Net balance	25,736,697	2,003,944	456,213	1,429,924	29,626,778
Off balance-sheet items	6,348,216	25,861	-	-	6,374,077
Risk assurance liabilities	(60,343)	(5,250)	-	-	(65,593)

Finance receivables

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

Provision for expected credit losses as at December 31, 2020 and 2019 was determined as follows for finance receivables:

December 31, 2020	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Expected loss rate	1.36%	30.09%	41.35%	3.77%
Gross carrying amount (Note 18)	12,347,806	437,800	486,814	13,272,420
Provision for expected credit losses	<u>167,519</u>	<u>131,744</u>	<u>201,297</u>	<u>500,560</u>
December 31, 2019	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Expected loss rate	0.68%	23.35%	40.31%	2.46%
Gross carrying amount (Note 18)	25,912,302	1,000,376	671,198	27,583,876
Provision for expected credit losses	<u>175,605</u>	<u>233,587</u>	<u>270,535</u>	<u>679,727</u>

The most significant assumptions used for the ECL estimate as at December 31, 2020 are per capita disposable income in China and broad money (“M2”) (December 31, 2019: total retail sales of consumer goods and M2). Due to the fluctuation of the macroeconomic environment, the Group used historical data to refit the prospective regression model to determine key economic variables. Back testing has been performed to prove these variables are the most relevant. The scenarios “base”, “upside” and “downside” were used for all portfolios.

Key economic variable	Scenario	2020	2019
Per capita disposable income in China	Base	4.12% – 6.80%	N/A
	Upside	6.85% – 9.53%	N/A
	Downside	1.39% – 4.07%	N/A
M2	Base	9.1%	8.66%
	Upside	10.12%	9.53%
	Downside	8.07%	7.79%
Total retail sales of consumer goods	Base	N/A	8.00%
	Upside	N/A	8.80%
	Downside	N/A	7.20%

The Group determines the base, upside, and downside scenarios and their weightings according to the analysis of macroeconomics and calculates thereby the weighted average ECL allowance. The weightings assigned to each economic scenario as at December 31, 2020 and 2019 were as follows:

Key economic variable	Scenario	2020	2019
Per capita disposable income in China	Base	85%	N/A
	Upside	10%	N/A
	Downside	5%	N/A
M2	Base	85%	85%
	Upside	10%	10%
	Downside	5%	5%
Total retail sales of consumer goods	Base	N/A	85%
	Upside	N/A	10%
	Downside	N/A	5%

A sensitivity analysis is performed on the key economic variables, namely per capita disposable income in China and M2. Set out below are the changes to the ECL as at December 31, 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	Per capita disposable income in China		
	-5% RMB'000	No Change RMB'000	+5% RMB'000
-5%	16,654	2,223	11,145
M2 No Change	14,238	-	(13,205)
+5%	11,857	(2,193)	15,239

Finance receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan after the completion of legal proceedings and execution, and a failure to make contractual payments for a certain period of time past due.

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

Trade receivables and other receivables

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

Trade receivables and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group.

Provision for impairment of trade receivables and other receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Off balance-sheet items

Under the arrangements with certain financial institutions for loan facilitation services, the Group is obligated to purchase the relevant loans upon certain specified events of default by car buyers. As of December 31, 2020, the total outstanding balance of loans funded by financial institutions under such arrangements was RMB17,881 million (2019: RMB6,374 million).

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

The most significant assumptions used for the ECL estimate as at December 31, 2020 are Gross Domestic Product (“GDP”) and per capita disposable income in China (December 31, 2019: new loans and value added in industry).

Risk assurance liabilities are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan after the completion of legal proceedings and execution, and a failure to make contractual payments for a certain period of time past due.

(b) Other financial risk

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

In response, the Group has completed the following actions: a) increasing the level of guarantees that can be provided through Dalian Rongxin, a licensed guarantee provider, b) acquiring Guangzhou Shengda, a wholly-owned subsidiary that is licensed to provide financial guarantees and is used to guarantee new facilitation arrangements, and c) has transferred a significant proportion of its existing guarantee obligations to Guangzhou Shengda.

Management has assessed that in all likelihood the future financial impact of these actions will not be significant for the Group; and does not believe that it is probable there will be a material outflow of resources during the process of complying with the Circular. Management will continue to assess the impact of the Circular on its business and take further actions if deemed necessary.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5 SEGMENT INFORMATION

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Transaction Platform Business
- Self-operated Financing Business

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. Cost of revenues for Transaction Platform Business segment is primarily comprised of loan facilitation commission fees and other direct service costs. Cost of revenues for Self-operated Financing Business segment is primarily comprised of funding costs and cost of automobiles sold. The segment operating profit is calculated as segment gross profit minus selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets and “Other income and other gains, net” associated with the respective segment.

The “Finance income, net” is not included in the measurement of the segments’ performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance.

Other information, together with the segment information, provided to the CODM is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

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

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

The segment results for the year ended December 31, 2019 are as follows:

	Year ended December 31, 2019		
	Transaction Platform Business <i>RMB'000</i>	Self-operated Financing Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	1,759,052	4,040,930	5,799,982
– Recognized at a point in time	1,668,338	264,068	1,932,406
– Recognized over time	90,714	3,776,862	3,867,576
Gross profit	1,035,873	1,730,585	2,766,458
Operating profit/(loss)	446,242	(396,472)	49,770

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at December 31, 2020 and 2019, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating (loss)/profit to (loss)/profit before income tax for the years ended December 31, 2020 and 2019 is presented in the consolidated income statements of the Group.

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

	Year ended December 31, 2020			Year ended December 31, 2019		
	Recognized at a point in time RMB'000	Recognized over time RMB'000	Total RMB'000	Recognized at a point in time RMB'000	Recognized over time RMB'000	Total RMB'000
Transaction Platform Business:						
- Loan facilitation services	1,185,281	-	1,185,281	1,668,299	-	1,668,299
- Advertising and other services	-	65,273	65,273	39	83,355	83,394
- Guarantee services	-	60,592	60,592	-	7,359	7,359
- After-market services	27,704	-	27,704	-	-	-
	<u>1,212,985</u>	<u>125,865</u>	<u>1,338,850</u>	<u>1,668,338</u>	<u>90,714</u>	<u>1,759,052</u>
Self-operated Financing Business:						
- Financing lease services	-	1,951,987	1,951,987	-	3,755,464	3,755,464
- Sales of automobiles	23,137	-	23,137	242,473	-	242,473
- Operating lease services and others	4,456	6,785	11,241	21,595	21,398	42,993
	<u>27,593</u>	<u>1,958,772</u>	<u>1,986,365</u>	<u>264,068</u>	<u>3,776,862</u>	<u>4,040,930</u>
Total	<u><u>1,240,578</u></u>	<u><u>2,084,637</u></u>	<u><u>3,325,215</u></u>	<u><u>1,932,406</u></u>	<u><u>3,867,576</u></u>	<u><u>5,799,982</u></u>

6 OTHER INCOME AND OTHER GAINS, NET

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Other income from business cooperation arrangements with Yusheng Holdings Limited ("Yusheng")	151,899	109,864
Government grants	62,129	47,372
(Losses)/gains on disposal of property and equipment and intangible assets	(3,122)	14,717
Fair value gain on financial assets (Note 16)	444	-
Foreign exchange gains, net	7,115	1,392
Bank fees and charges	(13,919)	(27,476)
Others, net	14,106	8,647
Total	<u><u>218,652</u></u>	<u><u>154,516</u></u>

7 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Provision for expected credit losses:		
– Finance receivables (Note 18)	1,616,080	811,913
– Other receivables (Note 20)	87,224	27,147
– Risk assurance liabilities (Note 26)	77,978	–
– Trade receivables (Note 19)	30,988	268,466
Funding costs	1,055,362	1,902,858
Employee benefit expenses (Note 8)	687,721	985,533
Loan facilitation commission fee	593,806	662,551
Depreciation and amortization charges	323,062	266,236
Expenses incurred for self-operated financing lease business	143,795	171,877
Provision for impairment of other non-current assets (Note 20)	113,804	104,761
Marketing and advertising expenditures	90,990	86,989
Office and administrative expenses	71,187	86,517
Cost of automobiles sold	23,301	282,134
Auditors' remuneration		
–Audit services	5,973	7,300
–Non-audit services	341	724
Other expenses	103,366	239,722
Total	5,024,978	5,904,728

8 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	485,136	585,125
Pension and benefits	97,542	167,284
Share-based compensation expenses (Note 24)	105,043	233,124
Total employee benefit expenses	687,721	985,533

9 FINANCE INCOME, NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Finance income:		
– Interest income	36,387	66,913
Finance expenses:		
– Interest expenses	(24,637)	(38,780)
Net finance income	11,750	28,133

10 INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Current income tax (credit)/expense	(63,474)	252,381
Deferred income tax (<i>Note 28</i>)	(278,711)	(207,301)
Income tax (credit)/expense	(342,185)	45,080

11 (LOSS)/PROFIT PER SHARE

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Weighted average number of issued ordinary shares	6,296,908,052	6,248,480,382
Less: shares held for restricted share scheme	(1,589,564)	(3,513,493)
Weighted average number of issued ordinary shares for calculating basic (loss)/profit per share	6,295,318,488	6,244,966,889
(Loss)/profit attributable to owners of the Company for calculating basic (loss)/profit per share (RMB'000)	(1,155,749)	30,936
Diluted impact on (loss)/profit (RMB'000)	–	–
(Loss)/profit attributable to owners of the Company for calculating diluted (loss)/profit per share (RMB'000)	(1,155,749)	30,936
Numbers of restricted shares with potential dilutive effect (<i>Note (b)(c)</i>)	–	236,677,268
Weighted average number of issued ordinary shares for calculating diluted (loss)/profit per share (<i>Note (b)</i>)	6,295,318,488	6,481,644,157
(Loss)/profit per share		
– Basic (RMB per share)	(0.18)	0.01
– Diluted (RMB per share)	(0.18)	0.01

Notes:

- (a) Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2019, the Company's dilutive potential ordinary shares comprise shares options and restricted shares awarded under the Pre-IPO Share Option Scheme and the First and Second Share Award Scheme (Note 24).
- (b) For the year ended December 31, 2019, a calculation was done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding unexercised awarded options and unvested awarded shares. The number of shares calculated as above was compared with the number of shares that would have been issued, assuming the conversion of the share options and restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted profit per share.
- (c) As the Group incurred loss for the year ended December 31, 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the year ended December 31, 2020 were the same as basic loss per share.

12 PROPERTY AND EQUIPMENT

	Buildings <i>RMB'000</i>	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, 2020						
Cost	27,380	59,807	14,686	56,282	21,301	179,456
Accumulated depreciation	-	(27,741)	(6,185)	(26,786)	(10,364)	(71,076)
Net book amount	<u>27,380</u>	<u>32,066</u>	<u>8,501</u>	<u>29,496</u>	<u>10,937</u>	<u>108,380</u>
For the year ended December 31, 2020						
Opening net book amount	27,380	32,066	8,501	29,496	10,937	108,380
Additions	425,967	3,528	7,287	283	803	437,868
Disposals	-	(1,254)	(3,757)	(12,962)	(2,623)	(20,596)
Depreciation charge	(14,716)	(12,855)	(2,796)	(8,603)	(1,738)	(40,708)
Closing net book amount	<u>438,631</u>	<u>21,485</u>	<u>9,235</u>	<u>8,214</u>	<u>7,379</u>	<u>484,944</u>
As at December 31, 2020						
Cost	453,347	59,691	12,879	24,199	12,437	562,553
Accumulated depreciation	(14,716)	(38,206)	(3,644)	(15,985)	(5,058)	(77,609)
Net book amount	<u>438,631</u>	<u>21,485</u>	<u>9,235</u>	<u>8,214</u>	<u>7,379</u>	<u>484,944</u>

	Buildings <i>RMB'000</i>	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, 2019						
Cost	–	56,371	12,779	417,793	15,318	502,261
Accumulated depreciation	–	(18,659)	(3,334)	(119,921)	(7,117)	(149,031)
Net book amount	–	37,712	9,445	297,872	8,201	353,230
For the year ended December 31, 2019						
Opening net book amount	–	37,712	9,445	297,872	8,201	353,230
Additions	27,380	10,187	3,040	3,897	6,210	50,714
Disposals	–	(4,687)	(967)	(242,147)	(95)	(247,896)
Depreciation charge	–	(11,146)	(3,017)	(30,126)	(3,379)	(47,668)
Closing net book amount	27,380	32,066	8,501	29,496	10,937	108,380
As at December 31, 2019						
Cost	27,380	59,807	14,686	56,282	21,301	179,456
Accumulated depreciation	–	(27,741)	(6,185)	(26,786)	(10,364)	(71,076)
Net book amount	27,380	32,066	8,501	29,496	10,937	108,380

13 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets		
Properties	24,619	34,958
Lease liabilities		
Current	11,263	12,279
Non-current	10,937	17,101
	22,200	29,380

Additions to the right-of-use assets during the year ended December 31, 2020 were RMB1,725,000 (2019: RMB17,124,000).

(b) Amounts recognised in the income statement

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets		
Properties	12,064	35,384
Interest expenses (included in finance expenses)	1,307	2,867
Expense relating to short-term leases (included in administrative expenses, selling and marketing expenses, and research and development expenses)	7,510	26,244

The total cash outflow for leases in 2020 was RMB14,226,000 (2019: RMB35,355,000).

14 INTANGIBLE ASSETS

	Goodwill	Trademarks and licenses	Domain names	Computer software and technology	Business Cooperation Agreements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2020						
Cost	105,631	40,671	12,828	28,114	2,344,363	2,531,607
Accumulated amortization	-	(10,967)	(4,472)	(7,350)	(518,740)	(541,529)
Net book amount	<u>105,631</u>	<u>29,704</u>	<u>8,356</u>	<u>20,764</u>	<u>1,825,623</u>	<u>1,990,078</u>
For the year ended December 31, 2020						
Opening net book amount	105,631	29,704	8,356	20,764	1,825,623	1,990,078
Additions	-	3,640	-	1,866	-	5,506
Disposal	-	(205)	-	(2,197)	-	(2,402)
Amortization charge	-	(3,462)	(1,283)	(3,900)	(261,645)	(270,290)
Closing net book amount	<u>105,631</u>	<u>29,677</u>	<u>7,073</u>	<u>16,533</u>	<u>1,563,978</u>	<u>1,722,892</u>
As at December 31, 2020						
Cost	105,631	43,966	12,828	26,711	2,344,363	2,533,499
Accumulated amortization	-	(14,289)	(5,755)	(10,178)	(780,385)	(810,607)
Net book amount	<u>105,631</u>	<u>29,677</u>	<u>7,073</u>	<u>16,533</u>	<u>1,563,978</u>	<u>1,722,892</u>

	Goodwill <i>RMB'000</i>	Trademarks and licenses <i>RMB'000</i>	Domain names <i>RMB'000</i>	Computer software and technology <i>RMB'000</i>	Business Cooperation Agreements <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2019						
Cost	105,131	33,668	12,828	21,836	2,344,363	2,517,826
Accumulated amortization	—	(7,600)	(3,190)	(3,713)	(343,842)	(358,345)
Net book amount	<u>105,131</u>	<u>26,068</u>	<u>9,638</u>	<u>18,123</u>	<u>2,000,521</u>	<u>2,159,481</u>
For the year ended December 31, 2019						
Opening net book amount	105,131	26,068	9,638	18,123	2,000,521	2,159,481
Additions	500	7,003	—	6,278	—	13,781
Disposals	—	—	—	—	—	—
Amortization charge	—	(3,367)	(1,282)	(3,637)	(174,898)	(183,184)
Closing net book amount	<u>105,631</u>	<u>29,704</u>	<u>8,356</u>	<u>20,764</u>	<u>1,825,623</u>	<u>1,990,078</u>
As at December 31, 2019						
Cost	105,631	40,671	12,828	28,114	2,344,363	2,531,607
Accumulated amortization	—	(10,967)	(4,472)	(7,350)	(518,740)	(541,529)
Net book amount	<u>105,631</u>	<u>29,704</u>	<u>8,356</u>	<u>20,764</u>	<u>1,825,623</u>	<u>1,990,078</u>

15 INVESTMENTS IN ASSOCIATES

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	15,546	17,433
Additions	475,000	—
Share of losses of associates	(28,573)	(1,887)
At end of the year	<u>461,973</u>	<u>15,546</u>

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	2,550,085	2,098,200
Additions	160,298	422,318
Fair value gain	444	—
Currency translation differences	(141,967)	29,567
At end of the year	<u>2,568,860</u>	<u>2,550,085</u>

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Assets as per balance sheet		
Financial assets at fair value through profit or loss:		
– Long-term investments (<i>Note 16</i>)	2,568,860	2,550,085
Financial assets at amortized cost:		
– Finance receivables (<i>Note 18</i>)	12,771,860	26,904,149
– Trade receivables (<i>Note 19</i>)	1,261,970	1,056,213
– Deposits and other receivables	1,974,939	1,666,416
– Restricted cash (<i>Note 21(b)</i>)	2,596,859	1,907,327
– Cash and cash equivalents (<i>Note 21(a)</i>)	2,711,558	1,586,817
	23,886,046	35,671,007
	23,886,046	35,671,007

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per balance sheet		
Financial liabilities at amortized cost:		
– Borrowings (<i>Note 27</i>)	10,147,383	19,840,169
– Trade payables (<i>Note 25</i>)	317,760	472,328
– Other payables (excluding advance from customers, staff costs and welfare accruals, tax payable, deferred revenue and other accruals)	541,690	1,220,458
– Other non-current liabilities (excluding deferred revenue) (<i>Note 29</i>)	92,312	148,439
Risk assurance liabilities (<i>Note 26</i>)	277,457	65,593
Lease liabilities (<i>Note 13</i>)	22,200	29,380
	11,398,802	21,776,367
	11,398,802	21,776,367

18 FINANCE RECEIVABLES

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at December 31, 2020 and 2019 are as below:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance receivables		
– Finance receivables, gross	14,417,257	32,182,783
– Unearned finance income	<u>(1,144,837)</u>	<u>(4,598,907)</u>
Finance receivables, net	13,272,420	27,583,876
Less: provision for expected credit losses	<u>(500,560)</u>	<u>(679,727)</u>
Carrying amount of finance receivables	<u>12,771,860</u>	<u>26,904,149</u>
Finance receivables, gross		
– Within one year	10,089,734	19,493,382
– After one year but not more than five years	<u>4,327,523</u>	<u>12,689,401</u>
	<u>14,417,257</u>	<u>32,182,783</u>
Finance receivables, net		
– Within one year	9,193,534	17,130,749
– After one year but not more than five years	<u>4,078,886</u>	<u>10,453,127</u>
Total	<u>13,272,420</u>	<u>27,583,876</u>

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance receivables:		
– Individual customers	12,340,594	26,766,625
– Auto dealers	<u>431,266</u>	<u>137,524</u>
	<u>12,771,860</u>	<u>26,904,149</u>

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

	Year ended December 31, 2020			Total RMB'000
	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	
Opening balance at January 1, 2020	175,605	233,587	270,535	679,727
Provision for impairment	902,300	528,345	304,699	1,735,344
Reversal of impairment	–	–	(119,264)	(119,264)
Transfer for the period:				
<i>Conversion to Stage I</i>	196	(131)	(65)	–
<i>Conversion to Stage II</i>	(121,675)	122,739	(1,064)	–
<i>Conversion to Stage III</i>	(788,907)	(752,796)	1,541,703	–
Asset derecognised (including final repayment)	–	–	119,264	119,264
Write-off	–	–	(1,914,511)	(1,914,511)
Ending balance at December 31, 2020	<u>167,519</u>	<u>131,744</u>	<u>201,297</u>	<u>500,560</u>
	Year ended December 31, 2019			Total
	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	RMB'000
Opening balance at January 1, 2019	233,773	105,731	175,393	514,897
Provision for impairment	610,693	89,105	120,682	820,480
Reversal of impairment	–	–	(8,567)	(8,567)
Transfer for the period:				
<i>Conversion to Stage I</i>	23	(9)	(14)	–
<i>Conversion to Stage II</i>	(149,034)	149,027	7	–
<i>Conversion to Stage III</i>	(519,850)	(110,267)	630,117	–
Asset derecognised (including final repayment)	–	–	8,567	8,567
Write-off	–	–	(655,650)	(655,650)
Ending balance at December 31, 2019	<u>175,605</u>	<u>233,587</u>	<u>270,535</u>	<u>679,727</u>

19 TRADE RECEIVABLES

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	1,390,345	1,153,611
Less: provision for impairment	(128,375)	(97,398)
Trade receivables, net	<u>1,261,970</u>	<u>1,056,213</u>

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	1,220,342	1,001,303
3 to 6 months	34,592	382
Over 6 months	7,036	54,528
	<u>1,261,970</u>	<u>1,056,213</u>

As at December 31, 2020 and 2019, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

- (b) Movements on the Group's provision for impairment of trade receivables are as follows:

	Provision for impairment	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At January 1,	97,398	241,989
Charge for the year	30,988	268,466
Write off	(11)	(413,057)
At December 31,	<u>128,375</u>	<u>97,398</u>

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current assets:		
Long-term receivables from loan facilitation services	469,130	373,711
Vehicles collected from financing lease customers	330,255	323,351
Deposits	64,021	235,401
Long-term receivables from guarantee service	19,567	–
Prepayment for vehicles	11,705	10,957
Vehicles purchased for future leases	5,024	31,532
Long-term prepaid expense	4,950	13,059
Property not available for use	–	422,207
Prepayment for investment in an associate	–	400,000
Others	120	2,496
	<u>904,772</u>	<u>1,812,714</u>
Less: provision for impairment of vehicles collected from financing lease customers	<u>(218,565)</u>	<u>(104,761)</u>
	<u>686,207</u>	<u>1,707,953</u>
Included in current assets:		
Other receivables from third parties	368,246	287,373
Deposits	266,338	369,865
Other receivables from related parties	237,897	1,588
Loans recognized as a result of payment under risk assurance	211,537	69,186
Loans to third parties (a)	140,475	83,980
Other receivables from disposal of assets	115,947	157,459
Prepaid taxes	78,769	181,194
Loans to related parties	41,000	41,000
Prepayments	28,732	22,841
Others	120,495	98,522
	<u>1,609,436</u>	<u>1,313,008</u>
Less: provision for impairment of other receivables (Note 3.1(b))	<u>(77,751)</u>	<u>(51,239)</u>
	<u>1,531,685</u>	<u>1,261,769</u>
Total	<u>2,217,892</u>	<u>2,969,722</u>

Note:

- (a) The loans to third parties are arranged to be recovered by the end of December 2021 given the business terms.

As at December 31, 2020 and 2019, the carrying amounts of prepayments, deposits and other assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates. As at December 31, 2020 and 2019, there are no significant balances that are past due.

	Provision for impairment	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at January 1,	156,000	24,092
Charge for the year	201,028	131,908
Write-off	(60,712)	–
	<u>296,316</u>	<u>156,000</u>

21 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and cash equivalents	<u>2,711,558</u>	<u>1,586,817</u>

As at December 31, 2020 and 2019, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
US\$	12,109	44,985
HK\$	12,513	11,852
RMB	2,686,936	1,529,980
	<u>2,711,558</u>	<u>1,586,817</u>

(b) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Term deposits pledged for bank borrowings (a)	1,070,112	1,101,478
Cash pledged for loan facilitation services (b)	1,171,388	494,460
Cash deposited for borrowings (c)	11,609	142,986
Others	343,750	168,403
	2,596,859	1,907,327
Of which are:		
Current restricted cash	2,529,500	1,793,009
Non-current restricted cash	67,359	114,318

Notes:

- (a) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings (*Note 27*).
- (b) The balance represents the deposits placed with banks and used as pledged assets for the Group's loan facilitation services.
- (c) The balance represents the cash deposited for bank borrowings and cash collected from the finance receivables that are deposited for asset-backed securitization or other secured borrowings by the Group. Such balance is restricted from withdrawal by the Group.

As at December 31, 2020 and 2019, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
US\$	345,615	153,476
HK\$	597,564	877,864
RMB	1,653,680	875,987
	2,596,859	1,907,327

As at December 31, 2020, the applicable interest rates per annum on restricted cash ranged from 0.01% to 2.75% (2019: 0.30% to 2.75%).

22 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>
Authorized:				
As at January 1, and December 31, 2020	<u>15,000,000,000</u>	<u>1,500</u>	<u>–</u>	<u>–</u>
As at January 1, and December 31, 2019	<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>
Issued:				
At January 1, 2020	<u>6,373,685,048</u>	<u>625</u>	<u>4,148</u>	<u>34,739,193</u>
Release of ordinary shares from Share Scheme Trusts	–	2	17	87,411
Shares issued upon exercise of employee share options	2,915,315	–	2	10,450
Vesting of restricted awarded shares	<u>–</u>	<u>2</u>	<u>15</u>	<u>45,612</u>
As at December 31, 2020	<u>6,376,600,363</u>	<u>629</u>	<u>4,182</u>	<u>34,882,666</u>
At January 1, 2019	<u>6,370,479,652</u>	<u>621</u>	<u>4,114</u>	<u>34,592,150</u>
Release of ordinary shares from Share Scheme Trusts	–	2	16	87,406
Shares issued upon exercise of employee share options	3,205,396	–	2	11,490
Vesting of restricted awarded shares	<u>–</u>	<u>2</u>	<u>16</u>	<u>48,147</u>
As at December 31, 2019	<u>6,373,685,048</u>	<u>625</u>	<u>4,148</u>	<u>34,739,193</u>

23 OTHER RESERVES

	<i>Note</i>	Capital Reserves <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Shares held for share award scheme <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2020		(431,554)	88,404	1,173,384	(1,889)	310,025	1,138,370
Currency translation differences		-	-	-	-	(122,403)	(122,403)
Share-based compensation	24	-	-	105,043	-	-	105,043
Release of ordinary shares from Share Scheme Trusts	24	-	-	(87,189)	-	-	(87,189)
Shares issued upon exercise of employee share options		-	-	(10,423)	-	-	(10,423)
Vesting of restricted awarded shares		-	-	(52,479)	6,852	-	(45,627)
Purchase of restricted shares under share award scheme	24	-	-	-	(6,351)	-	(6,351)
Appropriation to statutory reserves		-	6	-	-	-	6
At December 31, 2020		<u>(431,554)</u>	<u>88,410</u>	<u>1,128,336</u>	<u>(1,388)</u>	<u>187,622</u>	<u>971,426</u>
At January 1, 2019		(431,554)	78,005	1,091,870	(4,105)	276,532	1,010,748
Currency translation differences		-	-	-	-	33,493	33,493
Share-based compensation	24	-	-	233,124	-	-	233,124
Release of ordinary shares from Share Scheme Trusts	24	-	-	(87,190)	-	-	(87,190)
Shares issued upon exercise of employee share options		-	-	(11,460)	-	-	(11,460)
Vesting of restricted awarded shares		-	-	(52,960)	4,797	-	(48,163)
Purchase of restricted shares under share award scheme	24	-	-	-	(2,581)	-	(2,581)
Appropriation to statutory reserves		-	10,399	-	-	-	10,399
At December 31, 2019		<u>(431,554)</u>	<u>88,404</u>	<u>1,173,384</u>	<u>(1,889)</u>	<u>310,025</u>	<u>1,138,370</u>

24 SHARE-BASED PAYMENTS

The total expenses recognized in the consolidated income statement for share-based awards granted to the Group's employees are RMB105,043,000 for the year ended December 31, 2020 (2019: RMB233,124,000).

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

The exercise price of the granted options to employees is US\$0.0014. The options have graded vesting terms determined in the grant letter, on the condition that employees remain in service without any performance requirements. The vesting dates are determined by the Company and grantees for each option agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Number of share options	
	2020	2019
Outstanding as at January 1,	303,617,740	333,228,714
Exercised during the year	(27,302,782)	(27,732,848)
Forfeited during the year	(234,507)	(1,878,126)
Cancelled during the year (i)	(24,313,571)	–
	<hr/>	<hr/>
Outstanding as at December 31,	251,766,880	303,617,740
	<hr/>	<hr/>
Exercisable as at December 31,	218,759,576	226,553,172
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Note:

- (i) According to the general offer made by the Company as announced on November 6, 2020, HK\$1.8980 in cash for cancellation of each Yixin option was offered to the Company's option holders. 24,313,571 share options were cancelled as at December 31, 2020.

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

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

	July 3, 2017	October 1, 2017
Fair value per share	US\$3.70	US\$4.90
Exercise price	US\$0.01	US\$0.01
Risk-free interest rate	2.50%	2.46%
Dividend yield	0.00%	0.00%
Expected volatility	51%	56%
Expected terms	10 years	10 years
Weighted-average remaining contractual life	6.5 years	6.75 years
Weighted-average fair value per option granted	US\$3.69	US\$4.89
Weighted-average fair value per option granted (after the effect of the Capitalization Issue)	US\$0.53	US\$0.70
	<hr/> <hr/>	<hr/> <hr/>

The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life closed to the remaining maturity life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

(b) Restricted share units (“RSUs”) granted to employees under the First and Second Share Award Scheme

Starting from 2018, the Group granted RSUs to the Group’s employees under the First and Second Share Award Scheme (“Share Award Scheme”). The RSUs granted would vest on specific dates, or in equal tranches from the grant date over two to four years, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

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

	Number of RSUs	Weighted average fair value per RSU (US\$)
Outstanding as at January 1, 2020	75,610,787	USD0.29
Granted during the year	5,400,000	USD0.34
Vested and sold during the year	(26,106,259)	USD0.30
Forfeited during the year	(8,614,456)	USD0.31
	<u>46,290,072</u>	<u>USD0.29</u>
Outstanding as at December 31, 2020		
Vested as at December 31, 2020	<u>53,052,531</u>	<u>USD0.30</u>
Outstanding as at January 1, 2019	99,737,126	USD0.30
Granted during the year	7,773,895	USD0.23
Vested and sold during the year	(24,325,020)	USD0.30
Forfeited during the year	(7,575,214)	USD0.31
	<u>75,610,787</u>	<u>USD0.29</u>
Outstanding as at December 31, 2019		
Vested as at December 31, 2019	<u>26,946,272</u>	<u>USD0.31</u>

The fair value of RSUs is determined based on the closing price of the Group’s publicly traded ordinary shares on the date of grant.

(c) Expected Retention Rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options and RSUs (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at December 31, 2020, the Expected Retention Rate for the Group’s directors, senior management members, and other employees was assessed to be 100%, 100% and 91%, respectively (December 31, 2019: 100%, 100% and 91%)

25 TRADE PAYABLES

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	317,760	472,328

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	207,322	227,743
3 to 6 months	14,061	24,909
6 months to 1 year	16,135	68,431
Over 1 year	80,242	151,245
	317,760	472,328

26 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Risk assurance liabilities	277,457	65,593
Deposits payable	193,375	219,654
Advances from customers	93,406	152,912
Deferred other income – current	85,570	109,564
Interest payable	78,128	145,986
Staff costs and welfare accruals	67,163	81,110
Other payables to related parties	58,693	245,659
Tax payable	55,349	49,069
Accrued expenses	42,898	80,289
Loans payable to Bitauto Group	–	301,295
Others	211,494	307,864
	1,163,533	1,758,995

As at December 31, 2020 and 2019, the carrying amounts of the Group's other payables and accruals, excluding advances from customers, staff costs and welfare accruals, tax payable, deferred revenue and other accruals, approximate their fair values at each of the reporting date.

27 BORROWINGS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current liabilities:		
Pledged borrowings	180,087	304,134
Asset-backed securitization debt	340,697	1,167,910
Other secured borrowings	946,306	1,868,180
Unsecured borrowings	94,710	91,300
	<u>1,561,800</u>	<u>3,431,524</u>
Included in current liabilities:		
Pledged borrowings	1,226,042	1,022,882
Asset-backed securitization debt	2,348,286	6,201,021
Other secured borrowings	4,385,544	7,659,628
Unsecured borrowings	625,711	1,525,114
	<u>8,585,583</u>	<u>16,408,645</u>
Total borrowings	<u>10,147,383</u>	<u>19,840,169</u>

28 DEFERRED INCOME TAX

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:		
– To be recovered within 12 months	<u>702,195</u>	423,679
Deferred income tax liabilities:		
– To be recovered after 12 months	(3,196)	(2,573)
– To be recovered within 12 months	<u>(256)</u>	<u>(164)</u>
	<u>(3,452)</u>	<u>(2,737)</u>
Deferred income tax assets, net	<u>698,743</u>	<u>420,942</u>

29 OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred other income	1,108,209	1,344,094
Long-term deposits payable	1,286	4,780
Other liabilities	91,026	143,659
	<u>1,200,521</u>	<u>1,492,533</u>

30 DIVIDENDS

No dividends have been paid or declared by the Company during each of the year ended December 31, 2020 and 2019.

31 CONTINGENCIES

The Group did not have any material contingent liabilities as at December 31, 2020 (2019: nil).

32 SUBSEQUENT EVENTS

On 5 March 2021, the distributions in specie by Bitauto of all of the Yixin Shares held directly or indirectly by it to its parent and by its parent to its shareholders respectively (the “Distributions”) have been completed. Following the completion of the Distributions, the Bitauto Group no longer holds the issued share capital of Yixin and ceased to be a major shareholder of the Company.

Except for disclosed elsewhere in this announcement, there are no other material subsequent events undertaken by the Company or the Group after December 31, 2020.

OTHER INFORMATION

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

During the year ended December 31, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). In the opinion of the Directors, throughout the year ended December 31, 2020, 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, 2020.

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, 2020.

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, 2020. 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, 2020.

The consolidated financial statements of the Group for the year ended December 31, 2020 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, 2020 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, 2020. 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 November 16, 2017 and the net proceeds raised during our IPO amounted to approximately HK\$6,508 million (equivalent to RMB5,525 million). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at December 31, 2020, the Group had utilised the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to December 31, 2020		Utilization during the Reporting Period		Unutilized amount	
	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000
Sales and marketing	1,952,278	1,657,523	1,952,278	1,657,523	-	-	-	-
Research and technology capabilities enhancement	1,301,519	1,105,016	701,494	595,582	157,310	133,559	600,025	509,434
Self-operated financing business	1,301,519	1,105,016	1,301,519	1,105,016	-	-	-	-
Potential investments or acquisitions	1,301,519	1,105,016	1,301,519	1,105,016	-	-	-	-
Working capital and other general corporate purposes	650,760	552,506	650,760	552,506	-	-	-	-
Total	6,507,595	5,525,077	5,907,570	5,015,643	157,310	133,559	600,025	509,434

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

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil).

Annual General Meeting

The annual general meeting (the “AGM”) is scheduled to be held on May 6, 2021. 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 Monday, May 3, 2021 to Thursday, May 6, 2021, 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, April 30, 2021.

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, 2020 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 24, 2021

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

Executive Directors	Mr. Andy Xuan Zhang and Mr. Dong Jiang
Non-executive Directors	Mr. Jimmy Chi Ming Lai, Mr. Chenkai Ling and Mr. Huan Zhou
Independent non-executive Directors	Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong