THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yixin Group Limited 易鑫集团有限公司, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF REMAINING EQUITY INTEREST IN DALIAN RONGXIN AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

Optima Capital Limited

A notice convening the Extraordinary General Meeting of Yixin Group Limited 易鑫集团有限公司 to be held at Meeting Room – Yixin Rong, 2nd Floor, Yixin Building, 1 North, Zhongguancun Hongqiao Innovation Center, 365 Linhong Road, Changning District,Shanghai, China on Monday, July 17, 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the Extraordinary General Meeting is also enclosed.

No corporate gifts or refreshments will be provided at the Extraordinary General Meeting to reduce close contact between attendees.

Irrespective of whether you are able to attend the Extraordinary General Meeting, please complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof if they so wish. In such event, the proxy form shall be deemed to be revoked. **Shareholders are reminded that physical attendance is not necessary for the purpose of exercising Shareholders' rights. Shareholders are strongly encouraged to exercise their rights and indicate how they would like the proxy to vote on their behalf by submitting a proxy form to appoint the chairman of the Extraordinary General Meeting as their proxy for voting, instead of attending the Extraordinary General Meeting or any adjourned meeting in person.**

June 27, 2023

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the remaining 67.7966% equity interest in Dalian Rongxin by Xinche Investment under the Equity Transfer Agreement
"Announcement"	the announcement of the Company dated May 29, 2023 in relation to, among other things, the Acquisition
"Articles of Association"	the articles of association of the Company currently in force
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Bitauto"	Beijing Bitauto Internet Information Company Limited* (北京易車互聯信息技術有限公司), a company established under the laws of the PRC and a subsidiary of Tencent
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China, and, except where the context requires and only for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Yixin Group Limited 易鑫集团有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014 and carries on business in Hong Kong as Yixin Automotive Technology Group Limited and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2858)
"Completion"	the completion of the Acquisition in accordance with the Equity Transfer Agreement
"Completion Date"	the date on which Beijing Bitauto receives the First Instalment and the Second Instalment
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consolidated Affiliated Entity"	the entity the Company controls through a series of contractual arrangements
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Tencent and Morespark and each of them shall be referred to as a controlling Shareholder
"Dalian Rongxin"	Dalian Rongxin Financing Guarantees Company Ltd.* (大連融鑫融資擔保有限公司), a company established under the laws of the PRC
"Director(s)"	the director(s) of the Company
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Meeting Room – Yixin Rong, 2nd Floor, Yixin Building, 1 North, Zhongguancun Hongqiao Innovation Center, 365 Linhong Road, Changning District,Shanghai, China on Monday, July 17, 2023 at 11:00 a.m.
"Equity Transfer Agreement"	the equity transfer agreement dated May 29, 2023 entered into among Xinche Investment, Beijing Bitauto and Dalian Rongxin in relation to the Acquisition
"Group"	the Company, its subsidiaries and Consolidated Affiliated Entity from time to time
"Hammer Capital"	Hammer Capital Opportunities Fund L.P., an exempted limited partnership organized under the laws of the Cayman Islands, the general partner of which is Hammer Capital Opportunities General Partner, which is ultimately beneficially owned by Mr. Tsang Ling Kay Rodney
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong, which has been formed to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder

"Independent Financial Adviser" or "Optima Capital"	Optima Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders who have no material interest in, and are not required to abstain from voting at the EGM to approve, the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Valuer" or "AVISTA"	AVISTA Valuation Advisory Limited, a qualified independent valuer in Hong Kong
"Investment"	the investment in the amount of RMB475 million into Dalian Rongxin by the Xinche Investment pursuant to the Investment Agreement
"Investment Agreement"	an investment agreement dated August 2, 2019 entered into among Xinche Investment, Beijing Bitauto and Dalian Rongxin in relation to the Investment in Dalian Rongxin
"JD.com"	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (Nasdaq: JD) and the Main Board of the Stock Exchange (stock code: 9618), and a Substantial Shareholder as at the Latest Practicable Date
"Latest Practicable Date"	Monday, June 19, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

"Morespark"	Morespark Limited, a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent, and a Controlling Shareholder
"percentage ratios"	has the meaning ascribed to it under the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 700) and a Controlling Shareholder as at the Latest Practicable Date
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Xinche Investment"	Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資(上海)有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Yiche Holding"	Yiche Holding Limited, the holding company of Beijing Bitauto
"%"	per cent.

References to time and dates in this circular are to Hong Kong time and dates.

* *for identification purposes only*

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)

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

Non-executive Directors:
Mr. Qing Hua Xie
Mr. Qin Miao
Ms. Amanda Chi Yan Chau

Independent Non-executive Directors:
Mr. Tin Fan Yuen
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

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

Head Office and Principal Place of Business in China:
Yixin Building
1 North, Zhongguancun Hongqiao
Innovation Center
365 Linhong Road
Changning District
Shanghai
China

Principal Place of Business in Hong Kong:
Suite 709, Champion Tower
Three Garden Road, Central
Hong Kong

June 27, 2023

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF REMAINING EQUITY INTEREST IN DALIAN RONGXIN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement, in relation to, among other things, the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) details of the Equity Transfer Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advices to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the Extraordinary General Meeting; and (v) other information in relation to the Company as required under the Listing Rules.

Reference is made to the announcement of the Company dated August 2, 2019, whereby it was announced that Xinche Investment, Beijing Bitauto and Dalian Rongxin entered into the Investment Agreement, pursuant to which Xinche Investment, as the investor, invested RMB475 million into Dalian Rongxin. After the prior Investment, Dalian Rongxin was held by Beijing Bitauto and Xinche Investment as to 67.7966% and 32.2034%, respectively. Since its initial investment in 2016, Beijing Bitauto has contributed RMB1 billion in aggregate for its interest in Dalian Rongxin.

On May 29, 2023, Xinche Investment, Beijing Bitauto and Dalian Rongxin entered into the Equity Transfer Agreement, pursuant to which Xinche Investment has conditionally agreed to acquire and Beijing Bitauto has conditionally agreed to sell 67.7966% equity interest in Dalian Rongxin, at a total consideration of RMB640 million. Details of the Acquisition are set out below:

THE ACQUISITION

Date: May 29, 2023

Parties: Xinche Investment (as the purchaser)
Beijing Bitauto (as the vendor); and
Dalian Rongxin (as the target company)

Subject matter

Pursuant to the Equity Transfer Agreement, Xinche Investment conditionally agreed to purchase, and Beijing Bitauto conditionally agreed to sell, 67.7966% equity interest in Dalian Rongxin, at a total consideration of RMB640 million.

Upon Completion, Dalian Rongxin will become a wholly-owned subsidiary of Xinche Investment and therefore an indirect wholly-owned subsidiary of the Company, and Dalian Rongxin's financial results be consolidated into the financial statements of the Group.

Consideration and conditions precedent

The total consideration for the Acquisition is RMB640 million, which shall be paid in cash to Beijing Bitauto's designated bank account and will be satisfied in the following manner:

(a) RMB384 million, being 60% of the total consideration, shall be paid within 15 business days upon the fulfilment of the following conditions (or otherwise waived by the Xinche Investment, other than with respect to (iii) below which cannot be waived) (the "**First Instalment**"):

(i) each of Dalian Rongxin, Xinche Investment and Beijing Bitauto having obtained all necessary internal approvals (including but not limited to approvals from the board of directors and the shareholders, if applicable) in relation to the Acquisition and related matter (including but not limited to the amendment of the articles of association of Dalian Rongxin);

(ii) Xinche Investment and Beijing Bitauto having signed and delivered the Equity Transfer Agreement, and the Equity Transfer Agreement having become effective;

(iii) the Acquisition having been approved by the Independent Shareholders at the EGM in accordance with the relevant requirements under the Listing Rules;

(iv) the representations and warranties made under the Equity Transfer Agreement having remained true and accurate in all material respects, and any obligations and agreements that shall be observed or fulfilled by Dalian Rongxin, Xinche Investment and Beijing Bitauto having been observed or performed in all material aspects as at the payment date of the First Instalment;

(v) there has been no event or circumstance (including but not limited to any proceedings, arbitral proceedings, penalties or any investigation or punishment conducted by other government authorities which may has any material adverse effects on Dalian Rongxin's products and services) that has a material adverse affect on the legal registration, business license, product registration, intellectual property rights, business operations or other material aspects of Dalian Rongxin since the date of the Equity Transfer Agreement and up to the payment date of the First Instalment; and

(vi) the Equity Transfer Agreement complying with applicable laws and regulations of the registered location of the relevant party, and necessary government approvals (if any) for the transaction contemplated thereunder having been obtained.

As at the Latest Practicable Date, the above First Instalment condition (i) has been fulfilled.

(b) RMB256 million, being the remaining 40% of the total consideration, shall be paid within 15 business days upon the fulfilment of the following conditions (or otherwise waived by Xinche Investment, other than with respect to (ii) below which cannot be waived) (the "**Second Instalment**"):

(i) Dalian Rongxin having obtained the relevant filing notice and operation permit in relation to the subscription of equity interest in Dalian Rongxin by Xinche Investment at the consideration of RMB475 million in September 2020 from the relevant PRC authority;

(ii) the freeze on the equity interest of Dalian Rongxin held by Beijing Bitauto having been released and there are no other circumstances affecting the equity transfer;

(iii) Dalian Rongxin having completed all necessary government approval procedures and obtained all necessary approval documents, including but not limited to the business registration procedures for the transfer of equity interest in relation to the Acquisition, excluding the required filing and registration with the relevant financial regulatory authority for the transfer of equity interest in relation to the Acquisition;

(iv) the representations and warranties made under the Equity Transfer Agreement having remained true and accurate in all material respects, and any obligations and agreements that shall be observed or fulfilled by Dalian Rongxin, Xinche Investment and Beijing Bitauto having been observed or performed in all material aspects as at the Completion Date; and

(v) there has been no material adverse change to Dalian Rongxin since the date of the Equity Transfer Agreement and up to the Completion Date.

As at the Latest Practicable Date, none of the above Second Instalment conditions has been fulfilled. By way of background, the above condition (b)(ii) relates to a dispute between Beijing Bitauto and a PRC company, Beijing Bitauto estimates such condition may be fulfilled in around August 2023 subject to the outcome of the dispute. Under the Equity Transfer Agreement, the above condition (b)(ii) is a Second Instalment condition and one of the conditions precedent which is not waivable. If such Second Instalment condition remains unfulfilled, Xinche Investment will not be required to pay the Second Instalment. Further, according to the termination clause in the Equity Transfer Agreement (as disclosed below), if the above condition (b)(ii) remains unfulfilled after 3 months of Xinche Investment giving notice to Beijing Bitauto of the condition's status, Xinche Investment has the right to unilaterally terminate the Equity Transfer Agreement and the right to order Beijing Bitauto to refund the First Instalment in full. Therefore, the Company is of the view that the interest of the Company and its Shareholders are duly protected against any complications which may arise in connection with the fulfilment of the above condition (b)(ii).

The total consideration for the Acquisition shall be satisfied by the internal resources of the Group.

The consideration for the Acquisition was determined after arm's length negotiations among the parties to the Equity Transfer Agreement on normal commercial terms taking into account (1) the net assets value of RMB1,055,721,000 as at December 31, 2022 and financial position of the Dalian Rongxin (and in particular, its key financial metrics for the latest financial year); (2) the valuation performed by AVISTA, an independent valuer engaged to value Dalian Rongxin; and (3) the synergies that already exist and are anticipated to be enhanced between the Group and Dalian Rongxin as detailed in, and the factors further contained in, the section headed "Reasons for and Benefits of entering into the Equity Transfer Agreement" below.

The independent valuation of Dalian Rongxin adopted the market approach. This approach was selected as the most appropriate for this transaction, as it accounts for the state of the market and industry in which the target operates as compared with comparable companies from a market consensus perspective; it was also considered appropriate given the availability of comparable companies in the market. Under the market approach, the target was compared against public companies listed in Hong Kong or China operating in a comparable market and industry sector (namely, financial guarantee sector) as well as comparable transactions, with this scope taking into account similar capital investment requirements, and overall industry fluctuations and market performance being universal factors impacting both the target and comparable companies. A price-to-book (or P/B) valuation multiple was used, considering recent market fluctuations in China and globally and the fact that the P/B multiple is commonly used for capital-intensive businesses such as those operating in the financial guarantee sector, with adjustments made for the target being a non-public company but with a control premium after the transaction. The valuation was based on certain principal factors, including, among others, the maturity of the target, the economic and industry conditions in which the target operations, and the business and other risks associated with this industry; and certain assumptions, including, among others, that there will be no material changes to the regulatory and economic environment governing the financial guarantee sector, no material changes to the financial performance of the target and comparable companies, and the retention of competent management and key personnel. Accordingly, Dalian Rongxin was valued at approximately RMB1,098 million as at December 31, 2022. Further details of the valuation are set out in the Appendix II to this circular.

Based on the above factors, the Board considered the independent valuation to be a fair and reasonable basis upon which to calculate the consideration amount.

Completion

Xinche Investment and Beijing Bitauto agreed that (i) after the payment of the First Instalment and the Second Instalment, Xinche Investment and Beijing Bitauto shall coordinate with Dalian Rongxin to complete the business registration in respect of the Acquisition as soon as possible; and (ii) within 3 months from the Completion Date, Xinche Investment and Dalian Rongxin shall complete the required filing and registration with the relevant financial regulatory authority.

Termination

If the above condition precedents for which Beijing Bitauto is unilaterally responsible remain unfulfilled after 3 months of Xinche Investment giving notice to Beijing Bitauto of the condition's status, Xinche Investment has the right to unilaterally terminate the Equity Transfer Agreement. In the event that the parties are unable to continue to carry out their obligations under the Equity Transfer Agreement for reasons such as internal business adjustments within their respective groups or due to the regulatory requirements of Dalian Rongxin (including but not limited to the required filing and registration with the relevant financial regulatory authority is ultimately not completed) or due to Listing Rules requirements etc., Xinche Investment and Beijing Bitauto may mutually agree to terminate the Equity Transfer Agreement by way of written notice to Dalian Rongxin. If Xinche Investment and Beijing Bitauto fail to reach an agreement on the termination of the Equity Transfer Agreement within one month after the discussion, Xinche Investment has the right to unilaterally terminate the Equity Transfer Agreement.

Upon the termination described above, Beijing Bitauto shall refund in full the amount of the consideration already paid by Xinche Investment (if any) within five business days after the termination. In the event that the termination occurs after the abovementioned business registration having been completed, Xinche Investment shall, within 20 business days after receiving the refund (if any), cooperate with Beijing Bitauto and Dalian Rongxin to restore the shareholding structure of Dalian Rongxin to that which was subsisting immediately prior to the execution of the Equity Transfer Agreement (including but not limited to executing necessary documents and cooperating with the filing of the further revised business registration, etc.).

FINANCIAL INFORMATION OF DALIAN RONGXIN

Set out below are certain financial information of Dalian Rongxin based on the audited financial statements prepared in accordance with International Financial Reporting Standards for the two financial years ended December 31, 2022:

	For the financial years ended December 31,	
	2022	**2021**
	RMB'000	*RMB'000*
Net profit/(loss) before tax	29,380	(36,552)
Net profit/(loss) after tax	19,934	(27,308)

As at December 31, 2022, the audited net assets of Dalian Rongxin amounted to approximately RMB1,055,721,000 based on the audited financial statements prepared in accordance with International Financial Reporting Standards.

According to the information provided by Dalian Rongxin, Dalian Rongxin recorded profit before tax of approximately RMB19.9 million for the financial year ended December 31, 2022, compared to loss before tax of approximately RMB27.3 million for the financial year ended December 31, 2021. It was primarily due to the decrease in administrative expenses and credit impairment losses by approximately RMB42.4 million and RMB47.3 million, respectively in the financial year ended December 31, 2022 as compared to the financial year ended December 31, 2021.

The decrease in administrative expenses was mainly a result of a reversal of impairment of other non-current assets of approximately RMB12.2 million, as the actual selling price of certain motor vehicles which had previously been pledged by the financing guarantee customers and subsequently seized by Dalian Rongxin was higher than their book values at the time these vehicles were sold, while the provision of impairment of other non-current assets was approximately RMB29.2 million for the financial year ended December 31, 2021.

The credit impairment losses decreased to RMB12.3 million for the financial year ended December 31, 2022, compared to RMB59.6 million for the financial year ended December 31, 2021, mainly due to the decrease in the provision for expected credit losses of loans recognized as a result of payment under the guarantee (before impairment), which resulted from a notable decrease in the amount of loans recognized as a result of payment under the guarantee (before impairment) of approximately RMB109.2 million as well as the improvement of loan performance.

The fluctuation of net loss before tax for the financial year ended December 31, 2021 comparing with that in the financial year ended December 31, 2022 is primarily due to the reduce of credit impairment losses and administrative expenses, which are resulted from the improvement in asset quality.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Group is principally engaged in (i) the provision of loan facilitation services, guarantee services, after-market services and other services; and (ii) the provision of financing lease services and other self-operated services in the PRC. Dalian Rongxin is a licensed financing guarantee company which is principally engaged in providing financing guarantee services.

In August 2019, the Group entered into the Investment Agreement with the view to further strengthen the business cooperation with Dalian Rongxin while expanding its loan facilitation services, to the extent that Dalian Rongxin provides financing guarantee services to certain auto loans for which the Group provides loan facilitation services. During the past few years, there has been significant growth and expansion in the Group's loan facilitation services, therefore creating greater demand in the business cooperation with Dalian Rongxin in the provision of financing guarantee services. Given the past business cooperation between the Group and Dalian Rongxin, the Company believes that the proposed acquisition of the remaining 67.7966% equity interest in Dalian Rongxin will be a meaningful step in realizing the Group's strategy of creating greater value and also further strengthening the industry position of the Group. In addition, with the view to further expand its loan facilitation services, the Company is of the view that the Acquisition enables the Group to explore and leverage the synergy between Dalian Rongxin and the Group, and will be complementary to the Group's existing operation and business layout, consolidate its existing advantageous position, generate synergies and accelerate the Group's development.

In particular, Dalian Rongxin (a) holds a financing guarantee license that the Company considers valuable to the Group's future business direction; and (b) has established strong business relationships with financial institutions in China, including being one of the few selected financing guarantee companies admitted into the financial institution's credit inquiry platform with system-to-system connection. Accordingly, by bringing Dalian Rongxin (and its business) into the Group, the Group can streamline and integrate its existing and future business collaborations with Dalian Rongxin and the Acquisition would enable the enlarged Group to expand into new business opportunities in the future.

Having considered the above factors, the Directors (including members of the Independent Board Committee, whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, but excluding Mr. Andy Xuan Zhang, Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau) are of the view that, though the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

Xinche Investment is an indirect wholly-owned subsidiary of the Company and the holding company of the PRC entities of the Group.

Beijing Bitauto is a company established under the laws of the PRC and a subsidiary of Tencent. It is principally engaged in research and development, the production of computer software, internet and e-commerce systems; computer network engineering, system integration; as well as the provision of technical training and consulting services.

Dalian Rongxin, is a company established under the laws of the PRC, and a licensed financing guarantee company which is principally engaged in providing financing guarantee services.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Acquisition is more than 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements.

As at the Latest Practicable Date, Beijing Bitauto is a subsidiary of Tencent, which is a Controlling Shareholder. Therefore, Beijing Bitauto is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Acquisition is required to abstain from voting on the resolution at the EGM. As at the Latest Practicable Date, (i) Tencent and its associates control the voting rights in respect of an aggregate of 2,941,475,317 Shares (representing approximately 45.08% of the issued share capital of the Company); (ii) Mr. Richard Liu and his associates control the voting rights in respect of an aggregate of 1,028,731,921 Shares (representing approximately 15.77% of the issued share capital of the Company); and (iii) Mr. Rodney Tsang and his associates control the voting rights in respect of an aggregate of 650,691,044 Shares (representing approximately 9.97% of the issued share capital of the Company), and therefore, Tencent, Mr. Richard Liu, Mr. Rodney Tsang and each of their respective associates will abstain from exercising the voting rights attached to these Shares on the resolution at the EGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the resolution in respect of the above mentioned connected transaction or should be required to abstain from voting on the resolution at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong, has been formed in accordance with Chapter 14A of the Listing Rules to consider, and to advise the Independent Shareholders, among other things, whether the Acquisition is in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER

Optima Capital has been appointed in accordance with Chapter 14A.44 of the Listing Rules as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, (i) Mr. Andy Xuan Zhang, an executive Director and the chairman of the Board, is also a director of Yiche Holding; (ii) Mr. Qing Hua Xie, a non-executive Director, is also a corporate vice president of Tencent, the parent of Beijing Bitauto; (iii) Mr. Qin Miao, a non-executive Director, is also a director of Yiche Holding, the direct holding company of Beijing Bitauto; and (iv) Ms. Amanda Chi Yan Chau, a non-executive Director, is also a managing director of Hammer Capital (Hong Kong) Limited, an affiliate of a substantial shareholder of Yiche Holding, which in turn is the direct holding company of Beijing Bitauto. Accordingly, each of Mr. Andy Xuan Zhang, Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau has considered themselves to have a material interest in the Equity Transfer Agreement and has abstained from voting on the relevant resolution of the Board approving the Equity Transfer Agreement.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules and article 13.6 of the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM. The Company will appoint scrutineers to handle vote-taking procedures at the EGM. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

A proxy form for use at the EGM is enclosed with this circular and such proxy form is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.yixincars.com). To be valid, the proxy form must be completed, signed and returned in accordance with the instructions printed thereon and, together with the relevant notarised power of attorney (if any) and other relevant document of authorisation (if any), at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. In such event, the proxy form shall be deemed to be revoked. Shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the resolution, instead of attending the EGM or any adjourned meeting in person.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on page IBC-1 of this circular which contains its recommendation to the Independent Shareholders; and (ii) the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-27 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Directors (including members of the Independent Board Committee, whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, but excluding Mr. Andy Xuan Zhang, Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau) are of the view that, although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are on normal commercial terms, and that the terms of the Equity Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including members of the Independent Board Committee but excluding Mr. Andy Xuan Zhang, Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau) also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Equity Transfer Agreement and the Acquisition contemplated thereunder.

GENERAL

As Completion is subject to the fulfillment of certain conditions precedent set out in the Equity Transfer Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Yixin Group Limited
易鑫集团有限公司
Andy Xuan Zhang
Chairman

易鑫集团
YIXIN GROUP

YIXIN GROUP LIMITED
易鑫集团有限公司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "Yixin Automotive Technology Group Limited")
(Stock code: 2858)

June 27, 2023

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF REMAINING EQUITY INTEREST IN DALIAN RONGXIN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated June 27, 2023 (the "**Circular**") to the shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Equity Transfer Agreement. Optima Capital Limited has been appointed as the Independent Financial Adviser to advise us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages IFA-1 to IFA-27 of the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Equity Transfer Agreement, and taken into account the advice of the Independent Financial Adviser, we are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms. Although the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Yixin Group Limited

Mr. Tin Fan Yuen | **Mr. Chester Tun Ho Kwok** | **Ms. Lily Li Dong**
Independent non-executive Directors

The following is the full text of the letter of advice from Optima Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, and prepared for the purpose of incorporation into this circular.

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

27 June 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF REMAINING EQUITY INTEREST IN DALIAN RONGXIN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. Details of the Acquisition are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular of the Company dated 27 June 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 29 May 2023 (the "**Announcement**"). On 29 May 2023, Xinche Investment (an indirect wholly-owned subsidiary of the Company), Beijing Bitauto and Dalian Rongxin entered into the Equity Transfer Agreement, pursuant to which Xinche Investment has conditionally agreed to acquire, and Beijing Bitauto has conditionally agreed to sell, 67.7966% equity interest of Dalian Rongxin at a total consideration of RMB640 million.

As at the Latest Practicable Date, Dalian Rongxin was owned as to approximately 67.7966% by Beijing Bitauto which is a subsidiary of Tencent (a Controlling Shareholder). Therefore, Beijing Bitauto is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Acquisition is required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, (i) Tencent and its associates control the voting rights in respect of an aggregate of 2,941,475,317 Shares (representing approximately 45.08% of the issued share capital of the Company); (ii) Mr. Richard Liu and his associates control the voting rights in respect of an aggregate of 1,028,731,921 Shares (representing approximately 15.77% of the issued share capital of the Company); and (iii) Mr. Rodney Tsang and his associates control the voting rights in respect of an aggregate of 650,691,044 Shares (representing approximately 9.97% of the issued share capital of the Company), and therefore, Tencent, Mr. Richard Liu, Mr. Rodney Tsang and each of their respective associates will abstain from exercising the voting rights attached to these Shares on the relevant resolution at the EGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the resolution in respect of the above mentioned connected transaction or should be required to abstain from voting on the relevant resolution at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong, has been formed to consider and to advise the Independent Shareholders, among other things, whether the Acquisition is in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. It will also advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM.

OUR APPOINTMENT AND INDEPENDENCE

We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Beijing Bitauto or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of our appointment, we have not (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Beijing Bitauto or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have reviewed, among other things, (i) the Announcement; (ii) the Circular; (iii) the annual reports of the Company for each of the three financial years ended 31 December 2020 ("**FY2020**"), 2021 ("**FY2021**") and 2022 ("**FY2022**"); (iv) the audited financial statements of Dalian Rongxin for each of FY2021 and FY2022; (v) the valuation report (the "**Valuation Report**") in respect of the total equity value of Dalian Rongxin (the "**Valuation**") as at 31 December 2022 (the "**Valuation Date**") prepared by the independent valuer, AVISTA Valuation Advisory Limited (the "**Valuer**") as set out in Appendix II to this Circular; (vi) the legal due diligence report (the "**Legal Due Diligence Report**") issued by the Company's PRC legal advisers, Shanghai Daopeng Law Firm (the "**PRC Legal Advisers**"); and (vii) other information obtained from the public domain. We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**").

We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with and for their consideration of the Acquisition as a connected transaction and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Acquisition, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

The Group is principally engaged in (i) the provision of loan facilitation services, guarantee services, after-market services and other services (the "**Transaction Platform Business**"); and (ii) the provision of financing lease services and other self-operated services (the "**Self-operated Financing Business**') in the PRC.

(b) Financial information of the Group

Set out below is a summary of the financial performance of the Group for each of FY2020, FY2021 and FY2022.

	FY2020 *RMB'000* *(audited)*	**FY2021** *RMB'000* *(audited)*	**FY2022** *RMB'000* *(audited)*
Revenue	3,325,215	3,494,344	5,201,508
– Transaction Platform Business	1,338,850	2,302,279	3,984,259
– Self-operated Financing Business	1,986,365	1,192,065	1,217,249
Operating (loss)/profit	(1,481,111)	102,182	400,024
(Loss)/profit before income taxation	(1,497,934)	83,625	405,491
(Loss)/profit for the year attributable to the Shareholders	(1,155,749)	28,953	370,814
Net profit margin (%)	-34.8%	0.8%	7.1%

The Group recorded total revenue of approximately RMB3,325 million, RMB3,494 million and RMB5,202 million for FY2020, FY2021 and FY2022, respectively, representing an increase of approximately 5% from FY2020 to FY2021 and an increase of approximately 49% from FY2021 to FY2022. Such increase was mainly due to (i) the significant increase in revenue from loan facilitation services in FY2021 as a result of the Group's cooperation with 23 banks and financial institutions as its loan facilitation partners to facilitate approximately 434,000 financing transactions during the year, representing an increase of 47% compared to FY2020; and (ii) the rapid growth of Transaction Platform Business in FY2022 due to a higher percentage of high-yield business conducted during the year. The Transaction Platform Business accounted for approximately 40%, 66% and 77% of the Group's overall revenue for FY2020, FY2021 and FY2022, respectively, while the Self-operated Financing Business accounted for approximately 60%, 34% and 23% of the Group's overall revenue for the same years.

The Group recorded 556,000 financing transactions in FY2022, representing a 5% growth compared to FY2021. The financing amount was RMB53 billion in FY2022, representing an 18% growth compared to FY2021. Used car transactions accounted for 52% of the total financing amount for FY2022. Due to the continuous growth of China's car ownership and the various stimulus policies, the Group's used vehicle business is expected to embrace blooming opportunities.

The Group incurred a loss attributable to Shareholders of approximately RMB1,156 million for FY2020 and generated profits attributable to Shareholders of approximately RMB29 million and RMB371 million for FY2021 and FY2022, respectively.

In FY2021, the Group turned from net loss with net profit margin of negative 34.8% to net profit with net profit margin of 0.8%, primarily due to (i) the increase in revenue; and (ii) the increase in gross profit and gross profit margin mainly due to the decrease in funding costs associated with the Self-operated Financing Business, while partially offsetted by the increase in commissions associated with loan facilitation services which was greater than the increase in revenue. For FY2022, the Group recorded a net profit margin of 7.1%, which was mainly due to (i) the increase in revenue; and (ii) the increase in gross profit and gross profit margin as a result of the net effect of (a) a higher percentage of high-yield business of the Transaction Platform Business, and (b) the decrease of the yield of the net finance receivables of the Self-operated Financing Business, during the year.

Set out below is the summary of the Group's financial position as at 31 December 2022:

	As at 31 December 2022 *RMB'000* *(audited)*
Non-current assets	15,312,176
Current assets	16,852,216
Total assets	32,164,392
Current liabilities	11,116,350
Non-current liabilities	5,721,829
Total liabilities	16,838,179
Net assets	15,326,213

The total assets of the Group amounted to approximately RMB32,164 million as at 31 December 2022. The major components of the total assets of the Group were (i) finance receivables; (ii) trade receivables; (iii) cash and cash equivalents (not including restricted cash), representing approximately 43%, 13% and 11% of the total assets, respectively.

The total liabilities of the Group amounted to approximately RMB16,838 million as at 31 December 2022. The major components of the total liabilities of the Group were (i) borrowings; (ii) risk assurance liabilities; and (iii) other payables and accruals, representing approximately 74%, 7% and 7% of the total liabilities, respectively. As at 31 December 2022, the total borrowings of the Group amounted to approximately RMB12,512 million, of which RMB7,826 million are repayable within one year.

The Group mainly sources its funding from its operations and is committed to maintain its borrowings at an appropriate level. The majority of the Group's borrowings are collateralised by pledge of term deposits, the Group's finance receivables and/or the cash proceeds thereof, as the case may be, and certain unsecured loans are backed by a guarantee from the Company and/or its subsidiaries.

(c) Business prospects of the Group

In the year ended 31 December 2022, the Group recorded revenue and profit attributable to Shareholders of approximately RMB5,202 million and RMB371 million, respectively, representing year-on-year growth of approximately 49% and 11.81 times, respectively. The Group's revenue from the Transaction Platform Business and the Self-operated Financing Business increased by approximately 73% and 2% in FY2022, respectively, as compared to FY2021 and accounted for approximately 77% and 23% of the Group's total revenue in FY2022, respectively. The increase in the Group's revenue in FY2022 was mainly contributed by the rapid growth of loan facilitation services of the Transaction Platform Business because of an increase in total transaction volume and a larger proportion of used car transactions which provided a higher yield.

According to the "Guideline on expanding domestic demand for the 14th Five-Year Plan"* (「十四五」擴大內需戰略實施方案) released by the National Development and Reform Commission on 15 December 2022, the PRC government aims to expand domestic demand, foster a sound domestic demand system to promote its long-term development and promote green economy in accordance with "The 14th Five Year Plan and Outline of Long-term Goals for 2035"* (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), with respect to, among others, (i) facilitate cross-provincial registration of used car transactions to promote used car market; (ii) promote new energy vehicles ("**NEVs**") to attain carbon neutrality; and (iii) accelerate the electrification of vehicles in the public sector such as public transport, taxis and logistics.

According to China Association of Automobile Manufacturers, the number of sales of automobiles in the PRC recorded 26,864,000 and 8,235,000 for the year ended 31 December 2022 and four months ended 30 April 2023, respectively, representing a year-on-year growth of approximately 2.1% and 7.1% respectively. In particular, for the sales of NEVs, the number of sales of NEVs recorded 6,887,000 and 2,222,000 for the year ended 31 December 2022 and four months ended 30 April 2023 respectively, representing a year-on-year growth of approximately 93.4% and 42.8% respectively. The growth in sales of automobiles demonstrated the growing demand in the car market and the NEVs in the PRC.

* *For identification purpose only*

Based on the support of the abovementioned favourable policies in the PRC and the prevailing market conditions and demand for automobiles and NEVs, the Directors are of the view, and we concur, that the demand for retail auto financing and vehicle owner derivative financing in the PRC is expected to keep growing, particularly for NEV financing and used car financing, which will likely drive the demand of the loan facilitation services provided by the Group.

The Acquisition is expected to further expand the business scale and market share of the loan facilitation services of the Group, to the extent that Dalian Rongxin provides financing guarantee services to certain auto loans for which the Group provides loan facilitation services. It is also believed that the financing guarantee services of Dalian Rongxin will create synergy with the Group's Transaction Platform Business, which will be further discussed in the paragraphs headed "5. Reasons for and benefits of the Acquisition" below in this letter. As such, we consider the Acquisition represents an expansion of the existing business of the Group and to be in line with the Group's business strategy.

2. Information on Dalian Rongxin

Dalian Rongxin is a company established under the laws of the PRC on 6 June 2016 and subsisting with limited liability in the PRC. As at the Latest Practicable Date, its registered capital and paid-in capital were both RMB1,475,000,000. Dalian Rongxin is a licensed financing guarantee company which is principally engaged in providing financing guarantee services.

In August 2019, the Group entered into the Investment Agreement with the view to further strengthen the business cooperation with Dalian Rongxin while expanding its loan facilitation services. Pursuant to the Investment Agreement, Xinche Investment invested RMB475 million into Dalian Rongxin in September 2020 (the "**Investment**").

Dalian Rongxin provides financing guarantee services with respect to certain auto loans for which the Group provides loan facilitation services. As advised by the management of Dalian Rongxin, Dalian Rongxin guarantees the repayment obligations of customers with respect to the auto loans and receives guarantee service fee, representing certain percentages of the principal amount of the auto loans, from the customers. The guarantee service fees are typically payable by the financial institutions upon the execution of the relevant agreement in respect of the auto loans. According to the agreement entered into between Dalian Rongxin, members of the Group and the financial institution, the guarantee service fees will be collected by the Group on behalf of Dalian Rongxin from the financial institution, and the Group will pay such fees to Dalian Rongxin. The financial institution will generally pay the aggregate service fees (including the guarantee service fee to Dalian Rongxin) to the Group in the next month following the execution of the relevant agreement.

As set out in the Letter from the Board, during the past few years, there has been significant growth and expansion in the Group's loan facilitation services, therefore creating greater demand in the business cooperation with Dalian Rongxin in the provision of financing guarantee services.

Financial information of Dalian Rongxin

The following major financial data is extracted from the audited financial information of Dalian Rongxin for FY2021 and FY2022 based on the latest financial information of the Dalian Rongxin available to the Company:

	FY2021	**FY2022**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Revenue	73,543	53,316
Selling and marketing expenses	(1,537)	(2,096)
Administrative expenses	(55,979)	(13,590)
Credit impairment losses	(59,609)	(12,284)
Other income and other gains, net	1,036	(4)
Operating (loss)/profit	(42,546)	25,342
Finance income, net	5,994	4,038
Net (loss)/profit before taxation	(36,552)	29,380
Net (loss)/profit after taxation	(27,308)	19,934
Operating profit margin	N/A	47.5%
Net profit margin before taxation	N/A	55.1%

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Non-current assets		
Property and equipment	44	453
Right-of-use assets	235	78
Deferred income tax assets	92,114	82,668
Prepayments, deposits and other assets	12,768	1,646
Guarantee receivables	26,503	60,911
	131,664	145,756

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Current assets		
Guarantee receivables	139,056	278,428
Prepayments, deposits and other assets	135,472	72,691
Restricted cash	795,712	555,930
Cash and cash equivalents	24,280	136,237
	1,094,520	1,043,286
Total assets	1,226,184	1,189,042
Non-current liabilities		
Lease liabilities	45	–
	45	–
Current liabilities		
Trade payables	26,505	171
Risk assurance liabilities	90,250	113,571
Other payables and accruals	72,784	19,534
Current income tax liabilities	644	–
Lease liabilities	169	45
	190,352	133,321
Total liabilities	190,397	133,321
Net asset value ("**NAV**")	1,035,787	1,055,721

As at 31 December 2022, the audited total liabilities, total asset and net asset of the Dalian Rongxin were approximately RMB133 million, RMB1,189 million and RMB1,056 million, respectively.

Financial performance

As set out in its audited financial statements for FY2021 and FY2022, Dalian Rongxin recorded revenue of approximately RMB53.3 million in FY2022, representing a decrease of approximately 27.5% as compared to RMB73.5 million in FY2021. As understood from the Management, the decrease in revenue was mainly due to a decrease in the number of customers and the average balance of individual customers for financing guarantee business in FY2022 as compared to FY2021.

On the other hand, Dalian Rongxin recorded turnaround to profit before tax of approximately RMB29.4 million in FY2022, compared to loss before tax of approximately RMB36.6 million in FY2021. It was primarily due to the decrease in administrative expenses and credit impairment losses by approximately RMB42.4 million and RMB47.3 million, representing a decrease of about 75.7% and 79.4%, respectively in FY2022 as compared to FY2021. As advised by Management, the decrease in administrative expenses was mainly a result of a reversal of impairment of other non-current assets of approximately RMB12.2 million, as the actual selling price of certain motor vehicles which had previously been pledged by the financing guarantee customers and subsequently seized by the Dalian Rongxin, was higher than their book values at the time these vehicles were sold.

As regards the decrease in credit impairment losses, it should be noted that there was a notable decrease in the amount of loans recognised as a result of payment under the guarantee (before impairment) ("**Customers Defaulted Loans**") of approximately RMB109.2 million, details of which are to be discussed in the paragraphs headed "Assets" below. This resulted in the corresponding decrease in the expected credit loss made by Dalian Rongxin for FY2022.

Assets

The total assets of Dalian Rongxin amounted to approximately RMB1,189 million as at 31 December 2022. The major components of the total assets of Dalian Rongxin were (i) restricted cash; (ii) guarantee receivables; (iii) cash and cash equivalents (not including restricted cash); (iv) deferred income tax assets; and (v) prepayment, deposits and other assets, which accounted for approximately 46.8%, 28.5%, 11.5%, 7.0% and 6.1% of the total assets, respectively.

Restricted cash represents cash that has been pledged for financing guarantee services. The decrease in restricted cash by approximately RMB239.8 million, or 30.1%, to approximately RMB555.9 million as at 31 December 2022 was in line with the decrease in the revenue for FY2022. Total cash, which consists of cash and cash equivalents and restricted cash, accounted for approximately 79.2% and 65.6% to NAV as at the end of FY2021 and FY2022, respectively.

Guarantee receivables represent the guarantee service fees recognised as revenue but not yet received by Dalian Rongxin. The total guarantee receivables increased by approximately RMB173.8 million, or 1.05 times, to approximately RMB339.3 million as at 31 December 2022. As discussed above, based on the agreement entered into between Dalian Rongxin, members of the Group and the financial institution, the guarantee service fees will be collected by the Group from the financial institution in the next month following the execution of the relevant agreement in respect of auto loans, and the Group will pay such fees to Dalian Rongxin. There is no fixed settlement schedule in respect of guarantee service fees between the Group and Dalian Rongxin, hence the increase in guarantee receivables as at 31 December 2022 was solely due to the timing difference in settlement by the Group. As such, no impairment assessment has been conducted on the guarantee receivables as at the end of FY2021 or FY2022.

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2022, the deferred income tax assets of Dalian Rongxin amounted to approximately RMB82.7 million.

Prepayments, deposits and other assets mainly represent the value of vehicles collected from financing guarantee customers, the value of Customers Defaulted Loans, net of impairments for these two items. Prepayments, deposits and other assets decreased by approximately RMB73.9 million, or 49.9%, to approximately RMB74.3 million as at 31 December 2022. Such decrease was mainly due to two factors. Firstly, the value of vehicles collected from financing guarantee customers (net of impairment) decreased by approximately RMB11.1 million as Dalian Rongxin disposed of more vehicles during FY2022. Secondly, the value of Customers Defaulted Loans (net of impairment) decreased by approximately RMB61.0 million as a result of the write-off of such balances as well as the settlements by the customers during FY2022.

Liabilities

The total liabilities of Dalian Rongxin amounted to approximately RMB133.3 million as at 31 December 2022. The major components of the total liabilities of Dalian Rongxin were (i) risk assurance liabilities; and (ii) other payables and accruals representing approximately 85.2% and 14.7% of the total liabilities, respectively.

Under the arrangements with financial institutions for financing guarantee services, Dalian Rongxin is obligated to repay the relevant loans upon certain specified events of default by customers. As advised by the management of Dalian Rongxin, the risk assurance liabilities are recognised at the time the loan agreements entered into by Dalian Rongxin. Dalian Rongxin recognises revenue from the provision of guarantees. The fair value of the guarantee is initially recognised as deferred income, which is also included in risk assurance liabilities.

According to the audited financial statements of Dalian Rongxin, the risk assurance liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers. Risk assurance liabilities increased by approximately RMB23.3 million, or 25.8%, to approximately RMB113.6 million as at 31 December 2022. Such increase was mainly due to the addition of the loan agreements entered into by Dalian Rongxin during FY2022.

Dalian Rongxin did not have any borrowings as at 31 December 2021 and 2022. According to the audited financial statements of Dalian Rongxin, Dalian Rongxin did not have any material contingent liabilities as at 31 December 2021 and 2022.

3. The Equity Transfer Agreement

Set out below are the principal terms of the Equity Transfer Agreement:

Date

29 May 2023

Parties

(i) Xinche Investment (as the purchaser);

(ii) Beijing Bitauto (as the vendor); and

(iii) Dalian Rongxin (as the target)

Subject matter

Pursuant to the Equity Transfer Agreement, Xinche Investment conditionally agreed to purchase, and Beijing Bitauto conditionally agreed to sell, 67.7966% equity interest of Dalian Rongxin, at a total consideration of RMB640 million.

Upon completion of the Acquisition, Dalian Rongxin will become a wholly-owned subsidiary of Xinche Investment and therefore an indirect wholly-owned subsidiary of the Company, and Dalian Rongxin's financial results be consolidated into the financial statements of the Group.

Conditions for payment of the consideration for the Acquisition

The total consideration for the Acquisition is RMB640 million, which shall be paid in cash to Beijing Bitauto's designated bank account and will be satisfied in the following manner:

(a) RMB384 million, being 60% of the total consideration (the "**First Instalment**"), shall be paid within 15 days upon the fulfilment or waiver in writing by Xinche Investment, as the case may be, of the following conditions (the "**First Conditions**"):

(i) each of Dalian Rongxin, Xinche Investment and Beijing Bitauto having obtained all necessary internal approvals (including but not limited to approvals from the board of directors and the shareholders, if applicable) in relation to the Acquisition and related matter (including but not limited to the amendment of the articles of association of Dalian Rongxin);

(ii) Xinche Investment and Beijing Bitauto having signed and delivered the Equity Transfer Agreement, and the Equity Transfer Agreement having become effective;

(iii) the Acquisition having been approved by the Independent Shareholders at the EGM in accordance with the relevant requirements under the Listing Rules;

(iv) the representations and warranties made under the Equity Transfer Agreement having remained true and accurate in all material respects, and any obligations and agreements that shall be observed or fulfilled by Dalian Rongxin, Xinche Investment and Beijing Bitauto having been observed or performed in all material aspects as at the payment date of the First Instalment;

(v) there has been no event or circumstance (including but not limited to any proceedings, arbitral proceedings, penalties or any investigation or punishment conducted by other government authorities which may has any material adverse effects on Dalian Rongxin's products and services) that has any material adverse effects on the legal registration, business license, product registration, intellectual property rights, business operations or other material aspects of Dalian Rongxin since the date of the Equity Transfer Agreement and up to the payment date of the First Instalment; and

(vi) the Equity Transfer Agreement complying with applicable laws and regulations of the registered location of the relevant party, and necessary government approvals (if any) for the transaction contemplated thereunder having been obtained.

(b) RMB256 million, being the remaining 40% of the total consideration (the "**Second Instalment**"), shall be paid within 15 business days upon the fulfilment or waiver in writing by Xinche Investment, as the case may be, of the following conditions (the "**Second Conditions**"):

(i) Dalian Rongxin having obtained the relevant filing notice (備案通知書) (the "**Filing Notice**") and PRC financial guarantee business operation permit (《中華人民共和國融資擔保業務經營許可證》) (the "**Operation Permit**") in relation to the subscription of equity interest in Dalian Rongxin by Xinche Investment at the consideration of RMB475 million in September 2020 from the relevant PRC authority;

(ii) The judicial freeze on the equity interest of Dalian Rongxin held by Beijing Bitauto (the "**Equity Freeze**") having been released and there are no other circumstances affecting the equity transfer;

(iii) Dalian Rongxin having completed all necessary government approval procedures and obtained all necessary approval documents, including but not limited to the business registration procedures for the transfer of equity interest in relation to the Acquisition, excluding the required filing and registration with the relevant financial regulatory authority for the transfer of equity interest in relation to the Acquisition;

(iv) the representations and warranties made under the Equity Transfer Agreement having remained true and accurate in all material respects, and any obligations and agreements that shall be observed or fulfilled by Dalian Rongxin, Xinche Investment and Beijing Bitauto having been observed or performed in all material aspects as at the Completion Date; and

(v) there has not been any material adverse changes on Dalian Rongxin since the date of the Equity Transfer Agreement and up to the Completion Date.

The conditions set out in paragraphs (a)(iii) and (b)(ii) above cannot be waived. All the other conditions are capable of being waived in writing by Xinche Investment. As at the Latest Practicable Date, the condition set out in paragraph (a)(i) above had been fulfilled; and none of the Second Conditions have been fulfilled and/or waived.

As understood from the Management, the Company has engaged the PRC Legal Advisers to perform legal due diligence on Dalian Rongxin including, among other things, opining on the Equity Freeze and the Filing Notice and Operation Permit. As set out in the Legal Due Diligence Report and advised by the Management, the Equity Freeze over the equity of Dalian Rongxin in the amount of RMB14,116,125 held by Beijing Bitauto was implemented by the Beijing First Intermediate People's Court (北京市第一中級人民法院) (the "**Court**") for the period commencing on 15 March 2021 and terminating on 14 March 2024 as a result of on-going litigation between Beijing Bitauto and a third party. Beijing Bitauto has informed the PRC Legal Advisers that it has submitted an application to the Court to replace the freezing of the subject equity with other assets. Beijing Bitauto has also requested to release the Equity Freeze upon completion of the replacement. As at the Latest Practicable Date, the relevant court procedures had yet to be completed and the matter remains pending. As further set out in the Legal Due Diligence Report, pursuant to the relevant PRC laws and regulations, financial guarantee companies in the PRC are required to file, among other things, changes in shareholding of more than 5% with the relevant financial regulatory authority within 30 days of such change (the "**Relevant Filing**"). Upon the completion of the Investment on 21 October 2020, Xinche Investment became a 32.2034% shareholder of Dalian Rongxin and Dalian Rongxin was required to make the Relevant Filing. As understood from the Management, due to reasons including but not limited to the various restrictions put in place by the relevant PRC authorities during the COVID-19 pandemic, Dalian Rongxin had failed to make the Relevant Filing. The PRC Legal Advisers opined in the Legal Due Diligence Report, that pursuant to the relevant PRC laws and regulations, failure to make the Relevant Filing may result in a fine of no less than RMB50,000 and no more than RMB100,000 and, in serious cases, the business may be ordered to be suspended for rectification. As further advised by the Management, the failure to make the Relevant Filing in 2020 was rectified and the Filing Notice was received on 16 June 2023. As at the Latest Practicable Date, Dalian Rongxin had not received any order for suspension of its business or penalty notice with respect to the failure to make the Relevant Filing. The PRC Legal Advisers are of the view that, given the failure to make the Relevant Filing had been rectified and the Filing Notice had been obtained, the legal risk to Dalian Rongxin in connection with the aforesaid failure has been extinguished and, from a regulatory perspective, there should be no risk of retroactive penalty or disciplinary action.

Pursuant to the Equity Transfer Agreement, if there are any fines or penalties arising from the historical breach or non-compliance by Dalian Rongxin with the applicable laws and regulations, such fines or penalties shall be borne by Xinche Investment and Beijing Bitauto in accordance with its shareholding in Dalian Rongxin immediately before the execution of the Equity Transfer Agreement (that is, as to 32.2034% by Xinche Investment and 67.7966% by Beijing Bitauto), and Xinche Investment has the right to inform Beijing Bitauto in writing to claim deduction from the remaining unpaid Consideration and such deduction has to be approved by Beijing Bitauto.

The total consideration for the Acquisition shall be satisfied by the internal resources of the Group. It is noted the Group has approximately RMB3,433,182,000 in total bank balances and cash as at 31 December 2022 as disclosed in its latest annual report. The Group therefore has sufficient internal resources to fund the Acquisition.

Completion

Completion Date shall be the date on which Beijing Bitauto receives the full amount of the First Instalment and the Second Instalment regarding the transfer of equity interest in relation to the Acquisition.

Xinche Investment and Beijing Bitauto agreed that (i) after the payment of the First Instalment, Xinche Investment and Beijing Bitauto shall coordinate with Dalian Rongxin to complete the business registration in respect of the Acquisition (the "**Updated Business Registration**") as soon as possible; and (ii) within three months from the Completion Date, Xinche Investment and Dalian Rongxin shall complete the required filing and registration with the relevant financial regulatory authority.

Termination

If after three months has elapsed since the effective date of the Equity Transfer Agreement, any condition precedent of the First Conditions and the Second Conditions which are to be fulfilled solely by Beijing Bitauto (which, for the avoidance of doubt, refers to the relevant obligations of Beijing Bitauto under conditions (a)(i) and (b)(ii) set out in the subsection headed "Conditions for payment of the consideration for the Acquisition" above), and after being reminded by Xinche Investment, remain unfulfilled, Xinche Investment has the right to unilaterally terminate the Equity Transfer Agreement. In the event that the parties are unable to continue to carry out their obligations under the Equity Transfer Agreement for reasons such as internal business adjustments within their respective groups or due to the regulatory requirements of Dalian Rongxin (including but not limited to the required filing and registration with the relevant financial regulatory authority is ultimately not completed) or due to Listing Rules requirements etc., Xinche Investment and Beijing Bitauto may mutually agree to terminate the Equity Transfer Agreement by way of written notice to Dalian Rongxin. If Xinche Investment and Beijing Bitauto fail to reach an agreement on the termination of the Equity Transfer Agreement within one month after the discussion, Xinche Investment has the right to unilaterally terminate the Equity Transfer Agreement (the "**Termination**").

Upon Termination, Beijing Bitauto shall refund in full the amount of the consideration already paid by Xinche Investment (if any) within five business days after the Termination (the "**Consideration Refund**"). In the event that the Termination occurs after the Updated Business Registration having been completed, Xinche Investment shall, within 20 business days after receiving the Consideration Refund (if any), cooperate with Beijing Bitauto and Dalian Rongxin to restore the shareholding structure of Dalian Rongxin to that which was subsisting immediately prior to the execution of the Equity Transfer Agreement (including but not limited to executing necessary documents and cooperating with the filing of the further revised business registration, etc.).

Basis of determination of the Consideration

The consideration for the Acquisition was determined after arm's length negotiations among the parties to the Equity Transfer Agreement on normal commercial terms taking into account (i) the NAV of RMB1,055,721,000 as at 31 December 2022 and financial position of the Dalian Rongxin (and in particular, its key financial metrics for the latest financial year); (ii) the Valuation performed by the Valuer; and (iii) the synergies that already exist and are anticipated to be enhanced between the Group and Dalian Rongxin as detailed in, and the factors further contained in, the paragraphs headed "5. Reasons for and Benefits of the Acquisition" below.

Our view

The termination mechanism included in the Equity Transfer Agreement protects Xinche Investment (which in turn the Company) in situation where the Equity Freeze cannot be released within three months of the payment of the First Instalment or the Filing Notice and Operation Permit cannot be obtained. If the termination mechanism is triggered, Xinche Investment will receive the Consideration Refund from Beijing Bitauto, mitigating the risk of potential financial loss. In light of the above, we are of the view that the terms of the Equity Transfer Agreement are fair and reasonable.

4. Valuation of Dalian Rongxin

As disclosed in the Letter from the Board, the consideration for the Equity Transfer Agreement was determined after arm's length negotiations between Xingche Investment and Beijing Bitauto with reference to the Valuation, which was appraised by the Valuer using the market-based approach in the Valuation Report.

We have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's background and qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer in conducting the Valuation. From the information provided by the Valuer and based on our discussion with them, we understand that the responsible person of the Valuer for the Valuation is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member CPA Australia and a member of Royal Institution of Chartered Surveyors, who has over 20 years' experience in financial valuation in a variety of industries in Hong Kong and the PRC. Furthermore, the Valuer has provided a wide range of valuation services to numerous companies, including companies listed in Hong Kong, the PRC and the United States. In the past three years, the Valuer has provided valuation services in respect of a number of businesses similar to Dalian Rongxin in Hong Kong and the PRC. Therefore, we were satisfied with the Valuer's qualification for preparation of the Valuation Report.

In assessing the fairness and reasonableness of the consideration for the Acquisition, we have reviewed the Valuation Report and understood that the Valuer has adopted the market-based approach in arriving the appraised value of Dalian Rongxin after considering the following reasons as stated in the Valuation Report.

Selection of valuation approach

We understand that the generally accepted valuation approaches include the income approach, cost approach and market approach. As discussed with the Valuer, all three of the generally accepted approaches have been considered by the Valuer regarding the Valuation: (i) the income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset; (ii) the cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration the past and present maintenance policy and rebuilding history; and (iii) the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, (a) the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset; and (b) the comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

As discussed with the Valuer, the market approach was applied in the Valuation Report for the following reasons:

- the cost approach is not appropriate in the current appraisal as it fails to consider the economic benefits of the ownership of the business. The Valuer considered the consolidated net book value of Dalian Rongxin as at the Valuation Date may not truly reflect the value of its total equity interest, as part of value will be attributed to future benefits of Dalian Rongxin;

- the income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of Dalian Rongxin, and the assumptions might not be able to reflect the uncertainties in the future performance of Dalian Rongxin. Given that improper assumptions will impose significant impact on the market value, the income approach was not adopted in the Valuation; and

- the market value arrived at via the market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. In respect of the guideline company method, the Valuer found public companies in a similar nature and business to that of Dalian Rongxin whose market values are good indicators of the industry. Meanwhile, in respect of the comparable transaction method, since there are several transactions closed and/or announced during the last few years with the acquisition target engaging in similar businesses as Dalian Rongxin in the PRC, the Valuer considered the price multiples implied in these transactions are good indicators as well.

Choice of valuation multiples

In carrying out the Valuation, the valuation multiple adopted by the Valuer was the price-to-book ("**P/B**") multiple. As discussed with the Valuer, they also considered other valuation multiples, namely the price-to-earnings ("**P/E**'), enterprise value-to-sales ("**EV/S**") and enterprise value-to-earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

We understand that the Valuer did not adopt the EV/S multiple as they considered it was not appropriate for the Valuation because it does not consider the profitability of Dalian Rongxin. As the EV/S multiple focuses on the sales amounts but not the margin, the results will be easily distorted if the cost structure is not being taken into account.

As informed by the Management, the profitability of Dalian Rongxin has been fluctuating in recent years amid the pandemic situation; and the increasing regulatory requirements imposed on the industry in which Dalian Rongxin operates may also cause uncertainty on the stability of its earnings. As a result, this would affect the reliability of using the historical earnings of Dalian Rongxin as a reference in conducting the Valuation. Therefore, despite Dalian Rongxin was profit making in FY2022, the Valuer considers that the EV/EBITDA and P/E multiples are not appropriate for the Valuation.

Nevertheless, we understand from the Valuer that the P/B multiple is one of the most commonly used valuation multiples for capital-intensive businesses such as financial institutions and intermediary service firms. It relates the market value of the company's equity value to its net assets. Since the scale of capital is the key value and profit driver for Dalian Rongxin, which provides financing guarantees services, the Valuer considers the P/B multiple to be the most appropriate valuation multiple for the Valuation.

Having considered the above, we are of the view that the P/B multiple adopted by the Valuer is fair and reasonable.

Comparable companies selection

We understand from the Valuer that, pursuant to the guideline companies method, as Dalian Rongxin is principally engaged in operations of financial guarantee in the PRC, they reviewed public companies which have certain business exposure in financial guarantee and have identified four comparable companies (the "**Comparable Companies**") based on the following criteria:

- The company is listed on the stock markets of Hong Kong, the PRC or the United States;
- The company is engaged in financing guarantee or financial guarantee related business in the PRC;
- A significant portion of total revenue (i.e. 30%) is attributable to financial guarantee and related business; and
- The financial information of the company is available to public.

As all of Dalian Rongxin's revenue are generated from financing guarantee business and derived from operating in the PRC for FY2021 and FY2022, we consider the selection criteria adopted by the Valuer are fair and reasonable.

Details of the Comparable Companies based on the above selection criteria above are as follows:

Company name	**Stock code**	**Exchange**	**Business description**	**Revenue contribution**	**Market capitalisation** *(Notes 1&2)*
China Success Finance Group Holdings Limited ("**China Success**")	3623	The Stock Exchange of Hong Kong ("**SEHK**")	China Success, an investment holding company, provides financial and non-financial guarantee, financial leasing and factoring, and financial consultancy services in the PRC.	Guarantee revenue 31.8% Pig selling 66.9% Service fee from consulting services 1.3%	RMB391 million (equivalent to approximately HK$442 million)
Guangdong Join-Share Financing Guarantee Investment Co., Ltd. ("**Guangdong Join-Share**")	1543	SEHK	Guangdong Join-Share, together with its subsidiaries, provides credit-based financing solutions to small and medium-sized enterprises (SMEs) for their financing and business needs in the PRC.	Net guarantee fee income 55.7% Net interest income 34.6% Service fee from consulting services 9.7%	RMB2,278 million (equivalent to approximately HK$2,575 million)
Hanhua Financial Holding Co., Ltd. ("**Hanhua**")	3903	SEHK	Hanhua, together with its subsidiaries, provides financial services in the PRC.	Net guarantee and consulting fee income 55.6% Net interest and handling fee income 38.5% Other 5.9%	RMB1,506 million (equivalent to approximately HK$1,702 million)
Greater China Financial Holdings Limited ("**Greater China**")	431	SEHK	Greater China and its subsidiaries are principally engaged in investment holding, industrial property development and loan financing operations including the provision of loan financing, financial guarantee services, loan referral and consultancy services.	Industrial property development 7.1% Loan financing I 59.5% Loan financing II 30.5% Other 2.9%	HK$1,026 million

Notes:

1. Data sourced from S&P Capital IQ database as at 31 December 2022.

2. Amounts in RMB have been translated into HK$ at the exchange rate of RMB0.885 to HK$1.

As confirmed by the Valuer, the above sample list is exhaustive based on the selection criteria set out above. We have also performed our own search for comparable companies based on the selection criteria adopted by the Valuer and obtained the same results of comparable companies as chosen by the Valuer.

As such, we are of the view that, in respect of the Comparable Companies, (i) the selection criteria is fair and reasonable; and (ii) the list of Comparable Companies is fair and representative for the purpose of valuation multiples analysis by the Valuer.

Based on the respective financial reports published by the Comparable Companies, we note that each of them are principally engaged in, among others, providing financial guarantee services and generate a substantial portion of revenue, i.e. 30% or more, from financial guarantee income. As each of the Comparable Companies is principally engaged in the same business as Dalian Rongxin, we concur with the view of the Valuer that the Comparable Companies, together with Dalian Rongxin, might be similarly subject to fluctuations in the economy and performance of the industry, among other factors and thus confronted with similar industry risks and rewards. Although the business scale of the Comparable Companies varied from Dalian Rongxin, they shared several comparable features such as business nature, domicile and location of operation. Given there are only a limited number of listed companies engaging in the same business as Dalian Rongxin in the PRC, the Valuer advised and we agree that it is common to consider a comprehensive set of comparable companies that are engaged in similar businesses as opposed to stripping down the already limited sample size of the Comparable Companies, which may adversely affect the accuracy of the Valuation. Despite that no two companies are ever exactly alike in business model, scale/size of operation and profitability; and each of the Comparable Companies has its own respective prospects and operational performance, we understand from the Valuer that behind the differences there are certain business universals such as required capital investments and overall perceived risks and uncertainties that guide the market in reaching the expected returns for companies with certain similar attributes. In light of the above, we concur with the view of the Valuer that the selection basis is reasonable, and the list of Comparable Companies (including in terms of their business scale/size) is fair and representative.

Calculation of the adjusted P/B multiple for the Comparable Companies

We understand from the Valuer that the adjusted P/B multiple of each of the Comparable Companies is arrived at by (i) first deriving the P/B multiple before adjustments of each Comparable Company based on its market capitalisation and its net asset value set out in the latest financial statements published by such Comparable Company as at the Valuation Date; and then (ii) applying the following adjustments to the P/B multiples: (a) a lack of marketability discount ("**LOMD**"), which reflects the fact that there is no ready market for shares in a closely held company and are typically not readily marketable compared to similar interests in publicly listed companies, thus impacting its value. The P/B multiples of the Comparable Companies are calculated based on listed companies. Given Dalian Rongxin is a private company, equity interest in Dalian Rongxin is not readily marketable compared to similar interests in listed companies. Thus, a LOMD was adopted by the Valuer to adjust the marketable interest fair value to non-marketable interest fair value. We understand that the LOMD applied by the Valuer in the Valuation Report was 20.5% with reference to the average discount of 772 private placement transactions published in the 2022 edition of the Stout Restricted Stock Study Companion Guide, a research study to assist the valuation profession in determining LOMD; and (b) a control premium ("**Control Premium**"), which represents the amount a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. Thus, a Control Premium was adopted by the Valuer to adjust the minority interest market value to controlling interest market value. We understand that the Control Premium applied by the Valuer in the Valuation Report was 26.7%, being the median equity control premium classified by finance, insurance and real estate industry in the Control Premium Study 2022Q4 Report sourced from Mergerstat CP Study.

The calculation of the adjusted P/B multiple for each of the Comparable Companies is as follows:

Adjusted P/B multiple = P/B multiple x (1 – LOMD) x (1 + Control Premium)

The information in respect of the Comparable Companies including, among others, the market capitalisations, net asset values and the adjusted P/B multiples is set out below:

Company name	**Market capitalisation** *(Note 1)*	**Net assets/ (liabilities)** *(Note 2)*	**adjusted P/B multiples**
China Success	RMB391 million	RMB366 million	1.08x
Guangdong Join-Share	RMB2,278 million	RMB2,049 million	1.12x
Hanhua	RMB1,506 million	RMB7,329 million	0.21x
Greater China	HK$1,026 million	HK$71 million	N/A *(Note 3)*
		Maximum	1.12x
		Minimum	0.21x
		Average	0.80x
		Median	**1.08x**

Notes:

1. Data sourced from S&P Capital IQ database as at 31 December 2022.

2. Data sourced from financial statements published by the Comparable Companies as at 31 December 2022.

3. According to the annual report of Greater China for the year ended 31 December 2022, its net asset value has subsequently become negative as of the Valuation Date, hence the Valuer considered to be more appropriate to have the subject company being excluded in the analysis.

The adjusted P/B multiples of the Comparable Companies range from 0.21 times to 1.12 times, with an average of 0.80 times and a median of 1.08 times. We understand from the Valuer that median is preferred over average as it could minimise the impact of outliers. Therefore, the median adjusted P/B multiple derived by the guideline company method of 1.08 times is adopted by the Valuer in arriving at the Valuation.

Comparable transactions selection

We understand from the Valuer, pursuant to the comparable transactions method, they reviewed market transactions similar to the Acquisition and have identified three comparable transactions (the "**Comparable Transactions**") on the following selection basis:

- The business of the acquiree includes financial guarantee;
- The transaction was announced between December 2019 and December 2022; and
- The financial information of the acquiree is available to the public.

Details of the Comparable Transactions identified by the Valuer and their respective P/B multiples are set out below:

Acquisition date	Target	Acquirer(s)	Total consideration	Interest acquired	P/B multiple
4 January 2020	Ningbo Haishu District Xiangyi Financing Guarantee Co., Ltd. ("**Ningbo Haishu**") *(Note 1)*	Sunny Loan Top Co. Ltd. ("**Sunny Loan**") *(Note 2)*	RMB75.93 million	75%	1.00x
2 June 2020	Jvranzhijia (Tianjin) Financing Guarantee Co., Ltd ("**Jvranzhijia**") *(Note 3)*	Easyhome New Retail Group Corporation Limited ("**Easyhome**") *(Note 4)*	RMB100 million	100%	0.99x
4 November 2020	Zhejiang Zhongqing Financing Guarantee Co., Ltd. ("**Zhejiang Zhongqing**") *(Note 5)*	(i) Shaoxing County Old Village Reconstruction Investment Development Co., Ltd.; (ii) Shaoxing County State-owned Assets Investments Operation Co., Ltd.; and (iii) Shaoxing Keqiao Water Group Co., Ltd. (collectively, the "**Shaoxing Companies**")	RMB159.72 million	100%	1.27x
				Maximum	1.27x
				Minimum	0.99x
				Average	1.09x
				Median	**1.00x**

Notes:

1. Ningbo Haishu is mainly engaged in the financing guarantee business and is also engaged in non-financing guarantee business, financial advisory and consulting intermediary services related to guarantee business.

2. Sunny Loan is a company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 600830).

3. Jvranzhijia has business scope of financing guarantee business (including loan guarantee business, issuance of bond guarantee business and other financing guarantee business).

4. Easyhome is a company incorporated in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000785).

5. Zhejiang Zhongqing was a wholly-owned subsidiary of Zhejiang China Textile City Group ("**Zhejiang China**"), a company listed on the Shanghai Stock Exchange (stock exchange: 600790), before the disposal of its entire equity interest to the Shaoxing Companies. Zhejiang Zhongqing is mainly engaged in financing guarantee business.

As understood from the Valuer, the acquisition targets in respect of the Comparable Transactions are principally engaged in financial guarantee business and represent an exhaustive list based on their selection criteria. We did not have access to professional databases in respect of relevant commercial transactions and were therefore unable to perform an independent search in respect of comparable transactions. Nevertheless, we have reviewed the relevant announcements of Sunny Loan, Easyhome and Zhejiang China published on the websites of the Shanghai Stock Exchange and Shenzhen Stock Exchange in respect of the acquisition of Ningbo Haishu, Jvranzhijia and Zhejiang Zhongqing, respectively. We did not note any information which would cause us to doubt the accuracy of the information in respect of the Comparable Transactions set out in the Valuation Report. In light of the above, we are of the view that, in respect of the Comparable Transactions, (i) the selection criteria is fair and reasonable; and (ii) the sample list is exhaustive for the purpose of valuation multiples analysis by the Valuer.

Calculation of the median P/B multiple for the Comparable Transactions

According to the Valuation Report, the median P/B multiple calculated by the Valuer in respect of the Comparable Transactions is 1.00 times. We understand from the Valuer that the P/B multiple of each of the Comparable Transactions is arrived at by (i) first deriving the implied total equity value of the acquisition target based on (a) the total consideration for the acquisition; and (b) the percentage interest in the acquisition target acquired pursuant to the Comparable Transaction; and then (ii) deriving the P/B multiple based on the implied total equity value and the net asset value of the acquisition target based on publicly available information.

The P/B multiples of the Comparable Transactions range from 0.99 times to 1.27 times, with an average of 1.09 times and a median of 1.00 times. We understand from the Valuer that median is preferred over average as it could minimise the impact of outliers. Therefore, the median P/B multiple derived by the comparable transaction method of 1.00 times is adopted by the Valuer in arriving at the Valuation.

Calculation of the Valuation

According to the Valuation Report, the total equity value of Dalian Rongxin is RMB1,098 million based on (i) the net asset value of Dalian Rongxin of approximately RMB1,056 million as at 31 December 2022 based on its audited financial statements for FY2022; multiplied by (ii) the weighted average P/B multiple of 1.04 times, which is in turn based on (a) the median adjusted P/B multiple derived by the guideline company method of 1.08 times; (b) the median P/B multiple derived by the comparable transaction method of 1.00 times; and (c) the weighting of the guideline company method and comparable transaction method of 50% and 50% respectively, which as understood from the Valuer, is considered to be fair and reasonable as both methods are similarly reliable and have similar valuation multiples.

Valuation assumptions

We have also reviewed the assumptions in the Valuation Report as set out in Appendix II to this Circular and confirm that the assumptions are fair and reasonable and appropriate for the Valuation.

We have enquired with the Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other business valuation exercises and are in line with the market practices. The Valuation is also made on the assumption that Dalian Rongxin has obtained the relevant licenses in conducting financial guarantee and related business. As (i) the assumptions are generally and consistently adopted in other business valuation exercises and in line with market practices; and (ii) obtaining the Operation Permit are conditions precedent to the payment of the First Instalment and Second Instalment, as the case may be, and, in turn, completion of the Acquisition, we are therefore of the view that the assumptions adopted in the Valuation are reasonable. During the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Valuation.

Our view

Based on the above and having considered that (i) the Valuer is qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently; (ii) the adoption of the market approach for the Valuation is fair and reasonable; and (iii) methodologies so applied on assessing the total equity value of Dalian Rongxin are fair and reasonable, we concur with the view of the Directors that the Valuation Report is an appropriate reference in determining the consideration of the Acquisition of approximately RMB640 million, which made reference to and is at a discount of approximately 14.0% to the 67.7966% equity value of Dalian Rongxin of RMB744.4 million as at the Valuation Date, is fair and reasonable so far as the Independent Shareholders are concerned.

5. Reasons for and benefits of the Acquisition

Immediately following completion of the Acquisition, Dalian Rongxin will become a wholly-owned subsidiary of the Company. The financial results of Dalian Rongxin will be consolidated into the consolidated financial statements of the Company.

As stated in the Letter from the Board, the Group is principally engaged in (i) the provision of loan facilitation services, guarantee services, after-market services and other services; and (ii) the provision of financing lease services and other self-operated services in the PRC. Dalian Rongxin is a licensed financing guarantee company which is principally engaged in providing financing guarantee services.

In August 2019, the Group entered into the Investment Agreement with the view to further strengthen the business cooperation with Dalian Rongxin while expanding its loan facilitation services, to the extent that Dalian Rongxin provides financing guarantee services to certain auto loans for which the Group provides loan facilitation services. During the past few years, there has been significant growth and expansion in the Group's loan facilitation services, therefore creating greater demand in the business cooperation with Dalian Rongxin in the provision of financing guarantee services. Given the past business cooperation between the Group and Dalian Rongxin, the Group believes that the proposed acquisition of the remaining 67.7966% equity interest in Dalian Rongxin will be a meaningful step in realizing the Company's strategy of creating greater value and also further strengthening the industry position of the Company. In addition, with the view to further expand its loan facilitation services, the Group is of the view that the Acquisition enables the Company to explore and leverage the synergy between Dalian Rongxin and the Group, and will be complementary to the Group's existing operation and business layout, consolidate its existing advantageous position, generate synergies and accelerate the Company's development.

In particular, we understand from discussion with the Management that Dalian Rongxin (i) holds a financing guarantee license that the Company considers valuable to the Group's future business direction; and (ii) has established strong business relationships with financial institutions in the PRC, including being one of the few selected financing guarantee companies admitted into the financial institution's credit inquiry platform with system-to-system connection. Accordingly, by bringing Dalian Rongxin (and its business) into the Group, the Group can streamline and integrate its existing and future business collaborations with Dalian Rongxin and the Acquisition would enable the enlarged Group to expand into new business opportunities in the future.

In light of the above, we concur with the Company's view that the Acquisition would allow the Group to obtain the financing guarantee license and the strong business relationships Dalian Rongxin developed with financial institutions in the PRC and streamline their existing and future business collaborations. We consider that the well-established business of Dalian Rongxin could immediately bring benefits to the Group upon completion of the Acquisition and potentially create synergies by leveraging the respective advantages of the Group and Dalian Rongxin. After considering that (i) the Acquisition is in line with the business strategy of the Group to expand its financing guarantee and loan facilitation services; (ii) the Investment Agreement and the existing mutually beneficial cooperation between the Group and Dalian Rongxin; and (iii) the expected benefits and synergies to the Group as a result of the Acquisition, we consider that the Acquisition is a fair and reasonable investment to the Company and the Shareholders as a whole.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular,

(i) the terms of the Equity Transfer Agreement are fair and reasonable;

(ii) the Valuation Report is an appropriate reference in determining the consideration of the Acquisition of RMB640 million, which made reference to and is at a discount of approximately 14.0% to the 67.7966% equity value of Dalian Rongxin of RMB744.4 million as at the Valuation Date;

(iii) a substantial portion of the assets of Dalian Rongxin comprise high-quality assets such as cash (including restricted cash based on the need of provision of financing guarantee services), which totalled approximately RMB692.2 million as at 31 December 2022 representing approximately 58.2% and 65.6% of the total assets of approximately RMB1,189.0 million and NAV of approximately RMB1,055.7 million, respectively; and

(iv) considering the background of Dalian Rongxin, the cooperation between Dalian Rongxin and the Group, and the expected benefits and synergies to be accrued to the Group pursuant to the completion of the Acquisition, including but not limited to the financing guarantee license which is difficult to obtain and the existing business and relationships with customers and financial institutions in the PRC of Dalian Rongxin,

we are of the view that (i) although the entering into of the Equity Transfer Agreement is not conducted in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement (including the consideration) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Managing Director
Corporate Finance

Mr. Ng is a responsible officer of Optima Capital and a licensed person registered with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURES OF INTERESTS IN SECURITIES

(A) Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations

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

(i) Interests in the underlying Shares

	Number of Shares			
Name of Director	**Personal interest**	**Number of underlying Shares interested(3)**	**Total interests**	**Approximate percentage of issued Shares(4)**
Mr. Andy Xuan Zhang	–	233,466,189(L)(1)	233,466,189	3.58%
Mr. Dong Jiang	28,657,810(L)	10,000,000 (L)(2)	38,657,810	0.59%

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to receive up to 233,466,189 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme (adopted by the Company adopted on May 26, 2017 and further described in the Company's annual report for the financial year ended December 31, 2022), subject to the conditions (including vesting conditions) of those options.

(2) Such interest represents the award Shares granted to Mr. Dong Jiang under the Second Share Award Scheme (adopted by the Company on September 1, 2017 and further described in the Company's annual report for the financial year ended December 31, 2022).

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

(4) The percentages are calculated on the basis of 6,524,013,012 Shares in issue as at the Latest Practicable Date.

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

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

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to shares related to outstanding restricted stock units granted under Yiche Holding's employee incentive plan.

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

(3) The percentage is calculated on the basis of 72,208,453 ordinary shares of Yiche Holding in issue as at the Latest Practicable Date.

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

(B) Substantial shareholders' interests and short positions in shares and underlying shares of the Company

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

Name of Substantial Shareholder	**Nature of interest**	**Number of Shares interested[(6)]**	**Approximate percentage of issued Shares[(7)]**
Tencent Mobility Limited[(1)]	Beneficial owner	489,922,607(L)	7.51%
THL H Limited[(1)]	Beneficial owner	931,604,940(L)	14.28%
Morespark[(1)]	Beneficial owner	2,093,833,612(L)	32.09%
	Beneficial owner	21,106,272(S)	0.32%

Name of Substantial Shareholder	Nature of interest	Number of Shares interested[6]	Approximate percentage of issued Shares[7]
Tencent[1]	Interest of controlled corporation	3,515,361,159 (L)	53.88%
	Interest of controlled corporation	21,106,272(S)	0.32%
JD.com Global Investment Limited[2]	Beneficial owner	406,675,101(L)	6.23%
JD Financial Investment Limited[2]	Beneficial owner	622,056,820(L)	9.53%
JD.com Investment Limited[2]	Interest of controlled corporation	1,028,731,921(L)	15.77%
JD.com[2]	Interest of controlled corporation	1,028,731,921(L)	15.77%
Max Smart Limited[2]	Interest of controlled corporation	1,028,731,921(L)	15.77%
UBS Trustees (B.V.I.) Limited[2]	Trustee	1,028,731,921(L)	15.77%
Liu Qiangdong Richard[3]	Beneficiary of a trust	1,028,731,921(L)	15.77%
Hammer Capital Holdco 1 Limited[4]	Beneficial owner	422,125,440(L)	6.47%
Hammer Capital[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Hammer Capital Asset Management Limited[4]	Investment manager	516,393,344(L)	7.92%
Hammer Capital Partners Ltd.[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Hammer Capital Opportunities General Partner[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Silver Oryx Limited[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Avantua Group Limited[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Go Winner Investments Limited[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Woodbury Capital Management Limited[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Cheng Chi Kong[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Cheung Siu Fai[4]	Interest of controlled corporation	516,393,344(L)	7.92%
Tsang Ling Kay Rodney[4], [5]	Beneficial owner	68,871,952(L)	1.06%
	Interest of controlled corporation	581,819,092(L)	8.92%

Notes:

(1) Tencent Mobility Limited which holds 489,922,607 Shares, THL H Limited which holds 931,604,940 Shares, and Morespark which holds 2,093,833,612 Shares in long position and 21,106,272 Shares in short position, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which Tencent Mobility Limited, THL H Limited and Morespark are interested under the SFO. Tencent has granted a voting proxy to Proudview Limited in relation to 573,885,842 Shares, representing approximately 8.80% of the issued share capital of the Company as at the Latest Practicable Date.

(2) JD.com Global Investment Limited which holds 406,675,101 Shares and JD Financial Investment Limited which holds 622,056,820 Shares are wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is controlled in terms of voting power as to 70.4% by Max Smart Limited as of February 28, 2023. Max Smart Limited, a British Virgin Islands company, is 100% owned by UBS Nominees Limited on behalf of The Max Smart Trust, with UBS Trustees (B.V.I.) Limited as the trustee.

(3) Liu Qiangdong Richard holds 1,028,731,921 Shares as a beneficiary of a private trust.

(4) Hammer Capital Holdco 1 Limited which holds 422,125,440 Shares and Hammer Capital Offerco 1 Limited which holds 94,267,904 Shares are wholly-owned subsidiaries of Hammer Capital. Accordingly, Hammer Capital is deemed to be interested in the same number of Shares in which Hammer Capital Holdco 1 Limited and Hammer Capital Offerco 1 Limited are interested under the SFO.

(a) Silver Oryx Limited, being the sole limited partner of Hammer Capital, is wholly-owned by Splendid Sun LLC. Splendid Sun LLC is wholly-owned by Avantua Group Limited (formerly known as Avantua Investments Limited). Avantua Group Limited is wholly-owned by Ace Trend Investment Limited. Ace Trend Investment Limited is owned as to 70% by Go Winner Investments Limited, which in turn is wholly-owned by Woodbury Capital Management Limited, and Woodbury Capital Management Limited is wholly-owned by Cheng Chi Kong.

(b) (i) Hammer Capital Asset Management Limited, being the investment manager of Hammer Capital, is wholly-owned by Hammer Capital Partners Ltd. Hammer Capital Partners Ltd. is owned by each of Cheung Siu Fai and Tsang Ling Kay Rodney as to 50%; (ii) Hammer Capital Opportunities General Partner, being general partner of Hammer Capital, is wholly-owned by Tsang Ling Kay Rodney.

Accordingly, each of Hammer Capital's general partners, controlling corporations and controlling persons is deemed to be interested in the same number of Shares in which Hammer Capital is interested under the SFO.

(5) Hammer Capital Management Limited, which holds 65,425,748 Shares, is wholly-owned by Tsang Ling Kay Rodney. Accordingly, Tsang Ling Kay Rodney is deemed to be interested in the same number of Shares in which Hammer Capital Management Limited is interested under the SFO.

(6) The letters "L" and "S" denote the Substantial Shareholder's long position and short position in such Shares, respectively.

(7) The percentages are calculated on the basis of 6,524,013,012 Shares in issue as at the Latest Practicable Date.

Certain numbers and percentage figures included in the table above have been subject to rounding adjustments. Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding.

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

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors had confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS' INTERESTS IN ASSETS

As of the Latest Practicable Date,

(a) none of the Directors or proposed Director had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2022, being the date to which the latest published audited financial statements of the Group were made up; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any members of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with that of the Group pursuant to Rule 8.10 of the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was, so far as the Directors were aware, pending or threatened against the Company or any other member of the Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and recommendations which are contained in this circular:

Name	Qualifications
AVISTA	Independent Valuer
Optima Capital	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Optima Capital and AVISTA had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its opinions, recommendations, letter of advice and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Optima Capital and AVISTA did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any direct or indirect interests in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(a) The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The Company's principal place of business in Hong Kong is situated at Suite 709, Champion Tower Three Garden Road Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Cheng Man Wah, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS ON DISPLAY

The Equity Transfer Agreement will be published and displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yixincars.com) for a period of 14 days from the date of this circular (both days inclusive).

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as of December 31, 2022 on the fair value of total equity interest Dalian Rongxin.

AVISTA Valuation Advisory Limited
Suite 2401-06, 24/F, Everbright Centre,
No. 108 Gloucester Road,
Wan Chai, Hong Kong

June 27, 2023

The Board of Directors
Xinche Investment (Shanghai) Co., Ltd.
China (Shanghai) Pilot Free-Trade Zone F17, 3rd Floor, No. 2123 Pudong Avenue

June 27, 2023

Dear Sirs/Madams,

Re: Valuation Report on Fair value of Total Equity Interest in Dalian Rongxin Financing Guarantee Co., Ltd.

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has performed an analysis on the total equity value ("**Valuation**") in relation to Dalian Rongxin Financing Guarantee Co., Ltd. ("**Dalian Rongxin**" or the "**Target Company**") on a controlling basis as of 31 December 2022 (the "**Valuation Date**").

We understand that Xinche Investment (Shanghai) Co., Ltd. ("**Xinche**" or the "**Company**" or "**you**", collectively with its subsidiaries as the "**Group**") is contemplating acquiring certain equity interest of the Target Company ("**Proposed Acquisition**") and the Valuation is prepared based on the underlying assumptions and information provided by the management of the Company and the Target Company (collectively, the "**Management**").

It is our understanding that this report (the "**Report**") will solely be used to assist you in determining total equity value in relation to the Target Company on a controlling basis for internal reference purpose in compliance with the Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). No third party shall have the right of reliance on this Report and neither receipt nor possession of this Report by any third party shall create any express or implied third-party beneficiary rights. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third party which we have used in connection with this Report. We assume that financial and other information provided to us is accurate and complete.

This Report identifies the business appraised, describes the scope of work, states the basis of the value, specifies key inputs and assumptions, explains the valuation methodology utilized in this Valuation, and presents our conclusion of value. The additional supporting documentation and schedules concerning confidential commercial matters has also been retained as a part of our work papers.

BASIS OF VALUE

We have appraised the fair value of 100.00% equity interest in the Target Company on the controlling basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

Yixin Group Limited ("**Yixin Group**") is principally engaged in online automobile finance transaction platform in People's Republic of China (the "**PRC**"). Its shares are listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 2858). Leveraging its leading online automobile finance transaction platform, Yixin Group is dedicated to developing and strengthening its ecosystem, the participants of which comprise consumers, automakers, auto dealers, auto finance partners, and aftermarket service providers.

Xinche is an indirectly wholly-owned subsidiary of Yixin Group.

Established on 6 June 2016, Dalian Rongxin was a wholly-owned subsidiary of Bitauto Holdings Limited (the "**BitAuto**") which principally engaged in providing guarantees for the automobile finance transactions promoted by Yixin Group.

As a part of corporate restructuring, Xinche subscribed 32.2034% equity interest of the Target Company in September 2020.

The shareholding structure of the Target Company as of the Valuation Date was set out as below:

Shareholder	Approximate percentage of equity interest
BitAuto	67.7966%
Xinche	32.2034%
Total	100.0000%

Source: the Management

SCOPE OF WORK

In conducting this valuation appraisal, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Company, including the financial statements, etc. made available to us;
- Discussed with the Management to understand the background of the history, operations and prospects of the Target Company for valuation purpose;
- Conducted research on the sector and competitive environment concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Company made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target Company; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our Valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and their authorized representatives.

ECONOMIC OUTLOOK

Economic Overview of China

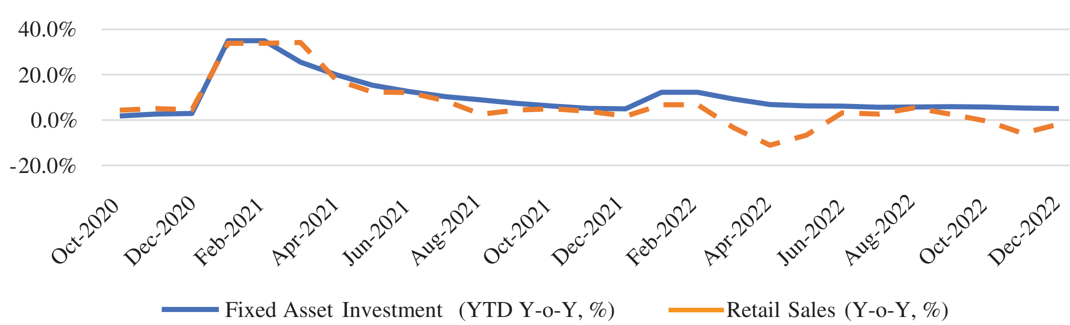
China's economy continued to slow down in 2022Q4, after a temporary pickup from the last quarter. Stringent COVID control measures such as lockdowns and travel restrictions was the main factor contributing to such gloomy economic outlook in China in this quarter.

According to China's National Bureau of Statistics ("**NBS**"), China's gross domestic product ("**GDP**") increased by 2.9%year-over-year ("**y-o-y**") in 2022Q4, a slower pace than the 3.9% y-o-y growth in 2022Q3.

Decline was noted in both growth in local consumption and fixed asset investment. While y-o-y growth in retail sales dropped from +2.5% in September 2022 to -1.8% in December 2022, that in fixed asset investment decreased from +5.9% to +5.1% during the same period. The slower pace of investment in infrastructure and manufacturing sectors has lowered the growth rate in fixed asset investment in 2022Q4.

In terms of foreign trading, China's international trade value reached CNY42,068 billion in 2022Q4, representing a 7.7% y-o-y growth according to China's General Administration of Customs. The export value amounted to CNY239,654 billion and recorded a y-o-y growth of 10.5%. With the lifting of strict COVID control measures and introduction of policies encouraging international trade, stable growth in foreign trading is expected to sustain in the coming years.

Figure 1: Y-o-Y Growth in YTD Fixed Asset Investment and Monthly Retail Sales



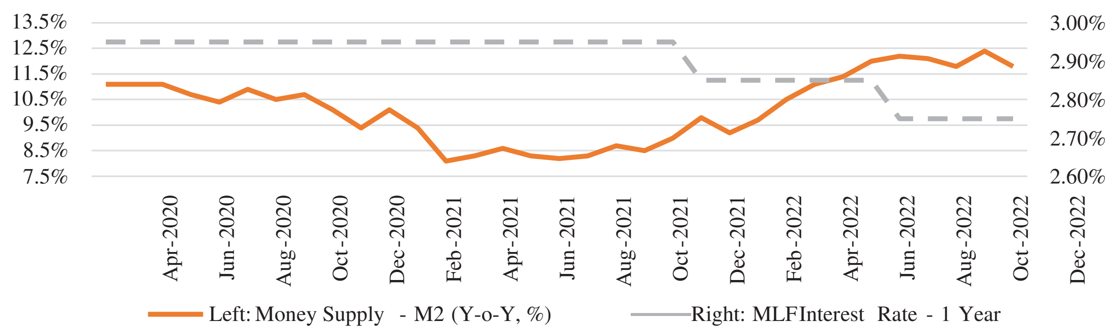
Source: NBS

China's major gauge of price level recorded a mild inflation. NBS announced a 1.8% y-o-y growth in the consumer price index ("**CPI**") in China in December 2022, which was lower than the 2.8% y-o-y growth recorded in September 2022. Such drop is mainly attributed to the moderation of pork price, which accounts for a material weighting in China's CPI. The core CPI, which excludes the volatile food and energy prices, was reported to increase by only 0.7% y-o-y in December 2022. The producer price index ("**PPI**") fell by 0.7% y-o-y in December 2022, the third consecutive month recorded a negative growth since October 2022.

Financing costs stayed at a low level in 2022Q4. Interest rate of one-year medium-term lending facility ("**MLF**") loans to financial institutions remained at 2.75% in 2022Q4, according to the People's Bank of China (the "**PBoC**"). Despite the low MLF, the broad credit growth slowed down in 2022Q4 due to COVID Zero restrictions earlier in the quarter and property downturn. However, it is expected to rebound in 2023 as China's economy gradually recovers from the retraction of various COVID curbs starting from December 2022. In December 2022, the money supply ("**M2**") growth remained high at 11.8% y-o-y in 2022Q4 as the PBoC implemented rate cuts and easing monetary policies to deal with the virus-induced recession.

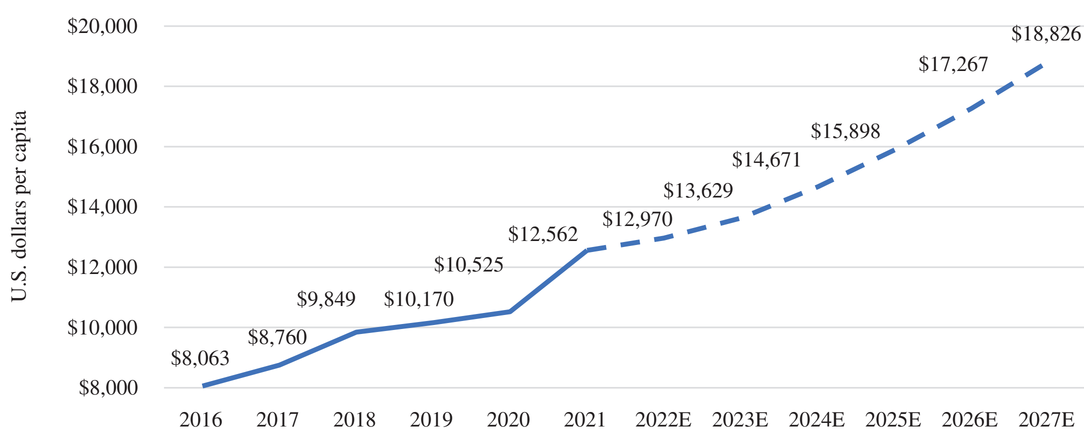
Looking forward, it is expected that the reopening of China to the world would create more opportunities for a potential economic growth. The International Monetary Fund ("**IMF**") forecasted the GDP per capita in China to continue its upward trend and reach USD18,826 in 2027.

Figure 2: Y-o-Y Growth in M2 and 1-Year MLF Interest Rate in China



Source: NBS, PBoC

Figure 3: GDP per capita of China (2018 – 2027E)



Source: IMF

INDUSTRY OVERVIEW

Since 2022, some newly added guarantee companies have entered the capital market, and the credit ratings of some individual guarantee agencies have changed. Under the influence of factors such as the slowdown in macroeconomic growth, the repeated outbreaks of COVID-19 in some regions, and the tightening of real estate regulation, financial guarantee agencies still expose to certain credit risks.

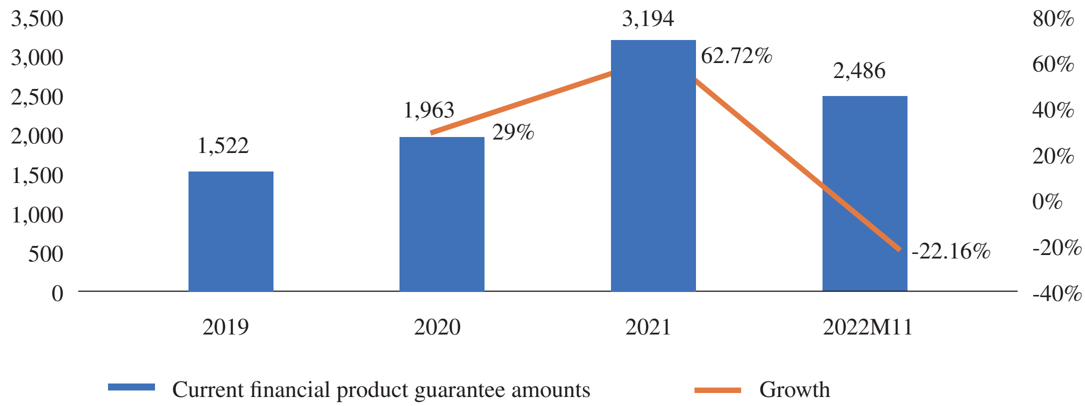
Being affected by factors such as the repeated outbreaks of COVID-19 in some regions, the consumer market has been greatly impacted by the epidemic, and real estate development investment has continued to bottom out recently. The economic downturn pressure is still high, and the average growth rate of GDP in the first three quarters has slowed down. The government has issued multiple policies to stabilize the economy. Financial guarantee companies still maintain a cautious business style, and the industry structure remains stable compared to previous years. Guarantee agencies continue to research and innovate financial products.

In recent years, bond market defaults have become normalized, and bond defaults and extension events have occurred frequently, mainly among private enterprises. In 2022, the proportion of real estate enterprise bond defaults has increased, real estate regulation has tightened, government platform financing has tightened, and credit risks are still relatively high. Under the transmission of credit risks in the bond market, financial guarantee agencies still face certain credit risks.

The balance of financial product guarantees has continued to grow lately. Currently, provincial-level platform financial guarantee agencies have relatively high credit ratings. The amplification level of guarantee agencies with credit enhancement institutions and some provincial-level guarantee agencies with fast business development is relatively high, which affects their business development space to a certain extent. Jiangsu Province still has the highest proportion of financial product guarantee balances. Due to the impact of policy issuance and rising credit risks, the credit ratings of guaranteed customer entities have continued to move upward. The concentration of guaranteed customer industries is still relatively high, mainly in the construction industry. In 2024, there will be a peak period of concentrated redemption of guarantee bonds, and attention should be paid to the compensation situation of financial guarantee agencies at that time.

The transaction amounts of financial guarantee product under financial guarantee agencies were increased from CNY152.174 billion in 2019 to CNY248.647 billion in Nov 2022, showing an overall growth trend. From 2020 to 2021, the implementation of a relatively loose monetary policy by the country has reduced the financing cost of the capital market, and the current financial product guarantee amounts of financial guarantee agencies have grown rapidly, with a growth rate of 62.72% in 2021. During January to November 2022, affected by factors such as the year-on-year decrease in the issuance scale of credit bonds in the bond market, the scale of financial product guarantees by financial guarantee agencies has decreased by 22.16% compared to the whole year of 2021, and decreased by 10.46% compared to the same period last year.

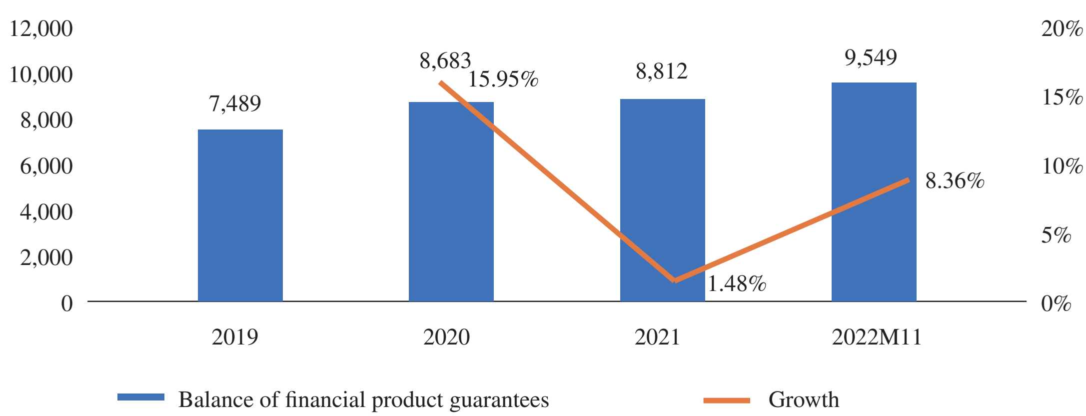
Figure 4: Transaction amounts of financial product guarantee during 2019 to Nov 2022 (CNY' Hundred Million)



Source: Wind, China Lianhe Credit Rating

According to Wind statistics, from 2019 to the end of November 2022, the balance of financial guarantee products under financial guarantee agencies has shown a continuous growth trend. As of the end of November 2022, the balance of guarantees by financial guarantee agencies was CNY954.911 billion, an increase of 8.36% compared to the end of the previous year. The proportion of the guarantee balance to the credit bond market size (excluding financial bonds) during the same period was 2.84%, an increase of 0.14% compared with the previous year.

Figure 5: Balance of financial product guarantees during 2019 to Nov 2022 (CNY' Hundred Million)



Source: Wind, China Lianhe Credit Rating

LIMITATIONS OF THE REPORT

The intended use of the Report is to serve as the basis for internal reference purpose. We will not be liable for any unauthorized use of the Report. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Company).

The Report does not constitute a fairness opinion, a solvency opinion, or an investment recommendation on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company rests solely with the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different.

VALUATION ASSUMPTIONS OF EQUITY VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- The stage of development of the Target Company;
- The economic outlook for the region operated by the Target Company and specific competitive environment affecting the industry;
- The business risks associated with the Target Company;
- The selected comparable companies are engaging in business operations similar to the Target Company;
- The experience of the Target Company's management team and support from its shareholders; and
- The legal and regulatory issues of the industry in general.

Due to the changing environment in which the Target Company is operating, a number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- There are no material changes in the financial positions of the Target Company and the comparable companies between the respective financial reporting dates and the Valuation Date;
- The Target Company has obtained the relevant licenses in conducting financial guarantee and related business;
- The Target Company will not be constrained by the availability of finance; and
- The Target Company will retain competent management, key personnel and technical staff to support their ongoing operations.

We have assumed that there are no hidden or unexpected conditions associated with the business entity valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the Equity Interest (the "**Equity Interest**") of the Target Company, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding this Valuation:

<u>Income Approach</u> The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from the ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration the past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method ("**GCM**") computes a price multiple for publicly listed companies that are considered to be comparable to the subject company and then applies the multiple to the corresponding financial metric of the subject company. The comparable transaction method ("**CTM**") computes a price multiple using recent transactions of assets that are considered to be comparable to the subject asset and then applies the result to the corresponding financial metric of the subject company.

Selected Valuation Approach

Each of the above-mentioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a certain approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal, we have applied the Market Approach to determine the fair value of the Equity Interest of the Target Company due to the following reasons:

- Cost Approach is not appropriate in the current appraisal as it fails to consider the economic benefits of the ownership of the business. We considered the consolidated net book value of the Target Company as of the Valuation Date may not truly reflect the value of its Equity Interest, as part of value will be attributed to future benefits of the Target Company.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach was reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are several public companies in a similar nature and business to that of the Target Company, their market values are good indicators of the industry of the Target Company. Meanwhile, since there are several transactions closed/announced during the last few years with the acquiree engaging in similar businesses as the Target Company in the PRC, the price multiples implied in these transactions may serve as good indicators as well. Our valuation procedures under the guideline company method and comparable transaction method are illustrated as follow.

Guideline Company Method

By adopting guideline company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The Target Company is principally engaged in provision of financial guarantee and related services in the PRC. We have reviewed public companies which have certain business exposure in financial guarantee. We consider this selection basis is reasonable and the sample list is fair and representative.

The comparable public companies are selected with reference to the following selection criteria:

- The company is listed on the stock markets of Hong Kong, the PRC or the United States;
- The company is engaged in financing guarantee or financial guarantee related business in the PRC;
- A significant portion of total revenue (i.e. over 30%) is attributable to financial guarantee and related business;
- The financial information of the companies is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of three comparable companies that engaged in the financial guarantee and related business. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider these companies are comparable to the Target. Details of the comparable companies based on the selection criteria above are illustrated as follows:

No.	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)
1	China Success Finance Group Holdings Limited	SEHK: 3623	Hong Kong Stock Exchange	China Success Finance Group Holdings Limited, an investment holding company, provides financial and non-financial guarantee, financial leasing and factoring, and financial consultancy services in the PRC.	Guarantee Revenue 31.8% Pig Selling 66.9% Service fee from consulting services 1.3%
2	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	SEHK: 1543	Hong Kong Stock Exchange	Guangdong Join-Share Financing Guarantee Investment Co., Ltd., together with its subsidiaries, provides credit-based financing solutions to small and medium-sized enterprises (SMEs) for their financing and business needs in the PRC.	Net Guarantee fee income 55.7% Net interest income 34.6% Service fee from consulting services 9.7%
3	Hanhua Financial Holding Co., Ltd.	SEHK: 3903	Hong Kong Stock Exchange	Hanhua Financial Holding Co., Ltd., together with its subsidiaries, provides financial services in the PRC.	Net guarantee and consulting fee income 55.6% Net interest and handling fee income 38.5% Other 5.9%
4	Greater China Financial Holdings Limited	SEHK: 431	Hong Kong Stock Exchange	Greater China Financial Holdings Limited and its subsidiaries are principally engaged in investment holding, industrial property development and loan financing operations including the provision of loan financing, financial guarantee services, loan referral and consultancy services.	Industrial property development 7.1% Loan financing I[1] 59.5% Loan financing II[2] 30.5% Other 2.9%

Source: S&P Capital IQ

Notes:

(1) Loan financing I represents the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong and Beijing.

(2) Loan financing II represents the provision of micro-financing, loan referral and consultancy services in Ningbo.

As the selected three companies are engaged in providing financial guarantee services, these comparable companies, together with the Target Company, might be similarly subject to fluctuations in the economy and performance of the industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Adopted Valuation Multiples

After selecting the above mentioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target Company, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/sales ("**EV/S**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/S and EV/S multiple are considered not appropriate for this valuation because they do not consider the profitability of the Target Company. As P/S and EV/S multiple only focus on the sales amounts but not the margin, the results will be easily distorted if the cost structure is not being taken into account. Thus, P/S and EV/S multiple are not adopted in this valuation.

According to the Management, the profitability of the Target Company has been fluctuating in recent years amid the pandemic situation. Meanwhile, the increasing regulatory requirements imposed on the industry is also considered to cause uncertainty regarding the stability and hence the reliability of earnings. As a result, despite the Target Company was profit making in FY2022, EV/EBITDA and P/E multiples are not appropriate in this valuation.

Nonetheless, P/B multiple is one of the most commonly used valuation multiples for capital-intensive business such as financial institutions and intermediary service firms. It relates the fair value of the company's equity value to its net asset. The scale of capital is the key value and profit driver for the Target Company. Therefore, P/B multiple is considered to be the most appropriate valuation multiple for this valuation under guideline public company method.

The process of computing the valuation multiple in this valuation consists of the following two procedures:

- Determination of the market capitalization of each comparable company as of the Valuation Date.

- Determination of the net asset of each comparable company as of the Valuation Date.

The P/B multiples, along with the market capitalization and net asset of the following guideline public companies as of the Valuation Date, are listed in the below table:

No.	Company Name	Stock Code	Currency	Market Capitalization(1) a	Net Asset(2) b	P/B before LOMD and Control Premium(3) c = a/b	P/B after LOMD and Control Premium(4) d = c* (1 - LOMD)* (1 + CP)
1	China Success Finance Group Holdings Limited	SEHK: 3623	CNY in million	391	366	1.07x	1.08x
2	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	SEHK: 1543	CNY in million	2,278	2,049	1.11x	1.12x
3	Hanhua Financial Holding Co., Ltd.	SEHK: 3903	CNY in million	1,506	7,329	0.21x	0.21x
4	Greater China Financial Holdings Limited	SEHK: 431	HKD in million	1,026	71	NA(5)	NA(5)
Average							0.80x
Median							1.08x
Maximum							1.12x
Minimum							0.21x

Source: S&P Capital IQ

Notes:

(1) Data sourced from S&P Capital IQ database as of 31 December 2022.

(2) Data sourced from financial statements published by the comparable companies as of 31 December 2022.

(3) Lack of marketability discount ("**LOMD**") reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. The P/B multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such P/B multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

In this Valuation, we applied a LOMD of 20.5% on the Target Company. LOMD is determined with reference to the research result as published in 2022 edition of Stout Restricted Stock Study Companion Guide, a research study to assist the valuation profession in determining LOMD and is based on 772 private placement transactions of unregistered common issued by publicly traded companies from July 1980 through March 2022. We have reviewed an extract of 2022 edition of Stout Restricted Stock Study Companion Guide and noted that the average discount for the 772 abovementioned transactions in the study was 20.5%.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1– LOMD)

(4) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/B multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; fair value calculated using such P/B multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest fair value to controlling interest fair value.

According to the Control Premium Study 2022Q4 Report sourced from Mergerstat Control Premium Study, we have adopted the median equity CP classified by finance, insurance and real estate industry, which is 26.7%.

The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium)

Combining the adjustments on LOMD and control premium,

Adjusted P/B multiple = P/B multiple x (1– LOMD) x (1 + Control Premium)

(5) According to 2022 Annual Report of Greater China Financial Holdings Limited, its net asset value has subsequently become negative as of the Valuation Date, hence it is considered to be more appropriate to have the subject company being excluded in the analysis.

Given the fact that the major business of the comparable companies listed above are providing financial guarantee in the PRC, the P/B multiples derived based on the guideline company method should be representable for our Valuation.

Comparable Transaction Method

Under comparable transaction method, for market transactions with the acquisition target having a similar or equivalent business model to the total equity interest, observable financial ratios are derived based on the market transactions. Adjustments may be made on the financial ratios derived with reference to the differences between the total equity interest and the acquisition target in the comparable transactions.

The comparable transactions are selected with reference to the following selection criteria:

- The acquiree is engaged in financing guarantee or financial guarantee related business in the PRC;
- The transaction was completed and announced between December 2019 and December 2022;
- The financial information of the acquirees is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of three comparable transactions with the acquirees engaging in similar businesses as the Target Company within the selected timeframe. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider these acquirees are comparable to the Target. The P/B multiples, along with the acquisition consideration and net assets of the acquiree as of the Valuation Date, are listed in the below table:

No.	Acquisition Date	Acquiree	Acquirer	Currency	Total Consideration	% of interest Sought	Implied Total Equity Value	Net Asset	P/B
1	2020/1/14	Ningbo Haishu District Xiangyi Financing Guarantee Co., Ltd.[1]	Sunny Loan Top Co. Ltd.	CNY in million	75.93	75%	101.24	101.24	1.00x
2	2020/6/2	Jvranzhijia (Tianjin) Financing Guarantee Co., Ltd[2]	Easyhome New Retail Group Corporation Limited	CNY in million	100.00	100%	100.00	100.77	0.99x
3	2020/11/4	Zhejiang Zhongqing Financing Guarantee Co., Ltd[3]	Three Acquirers[4]	CNY in million	159.72	100%	159.72	125.39	1.27x
Average									1.09x
Median									1.00x
Maximum									1.27x
Minimum									0.99x

Notes:

(1) Ningbo Haishu District Xiangyi Financing Guarantee Co., Ltd. mainly engages in financing guarantee business and engage in concurrent operations in non-financing guarantee business, financial advisory and consulting intermediary services related to guarantee business.

(2) Jvranzhijia (Tianjin) Financing Guarantee Co., Ltd was established in 2019. The company mainly engages in financing guarantee business (including loan guarantee business, issuance of bond guarantee business and other financing guarantee business).

(3) Zhejiang Zhongqing Financing Guarantee Co., Ltd was established in 2007. The company mainly engages in financing guarantee business.

(4) Three Acquirers refer as Shaoxing County Old Village Reconstruction Investment Development Co., Ltd, Shaoxing County State-owned Assets Investment Operation Co., Ltd. And Shaoxing Keqiao Water Group Co., Ltd.

VALUATION RESULT

(in CNY'000 unless otherwise specified)

P/B Derived by Guideline Company Method	a	1.08x
Weight of Guideline Company Method	b	50%
P/B Derived by Comparable Transaction Method	c	1.00x
Weight of Comparable Transaction Method	d	50%
P/B (Weighted Average)	e=a*b+c*d	1.04x
Net Assets of the Target Company(1)	f	1,055,721
Total Equity Value	g=e*f	1,097,950

Note:

(1) Net Asset of the Target Company is sourced from the audited financial statements as of 31 December 2022 prepared by the Target Company.

CONCLUSION OF VALUE

Based on our investigation and valuation method employed, it is our opinion that the fair value of Total Equity Value in the Target Company on a controlling basis as of the Valuation Date is CNY1,098 million.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Target Company, the Group nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA (HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia and a member of Royal Institution of Chartered Surveyors. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Potential Transaction, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for the use or uses stated, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting (the "**Extraordinary General Meeting**") of Yixin Group Limited 易鑫集团有限公司 (the "**Company**" and together with its subsidiaries and consolidated affiliated entities, the "**Group**") will be held at Meeting Room – Yixin Rong, 2nd Floor, Yixin Building, 1 North, Zhongguancun Hongqiao Innovation Center, 365 Linhong Road, Changning District,Shanghai, China, on Monday, July 17, 2023 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the equity transfer agreement (the "**Equity Transfer Agreement**") dated May 29, 2023 entered into between Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資(上海)有限公司) (the "**Xinche Investment**"), as the purchaser, and Beijing Bitauto Internet Information Company Limited* (北京易車互聯信息技術有限公司) (the "**Beijing Bitauto**"), as the vendor, in relation to the proposed acquisition of the remaining 67.7966% equity interest in Dalian Rongxin Financing Guarantees Company Ltd.* (大連融鑫融資擔保有限公司) (the "**Dalian Rongxin**"), and the transactions contemplated thereunder, be and are hereby confirmed, ratified and approved; and

   (b) any director (the "**Director(s)**") of the Company (or any person designated by them), acting singly or collectively, be and is hereby authorised to do all such acts, including to prepare, sign, execute and deliver all such other documents, instruments and agreements for and on behalf of the Company, and to take any and all steps considered necessary, desirable or expedient by such Director(s) (or person(s) designated by the Director(s)) to implement and/or give effect to the Equity Transfer Agreement and the transactions thereunder; and that any member of the Group (including those newly established or invested through equity acquisition or other organisations) be and is hereby authorised to, in that member's absolute discretion deemed appropriate or expedient and in the interests of the Company and its shareholders as a whole and based on the actual needs of the Group, negotiate, prepare, execute, amend, supplement and perform any and all documents in connection with the Equity Transfer Agreement (including but not limited to the transactions contemplated thereunder) with any member of the Beijing Bitauto group (including those newly established or invested through equity acquisition or other organisations) and proceed with all actions considered by such member to be necessary or desirable to execute, implement, perform or give effect to the Equity Transfer Agreement (and the transactions contemplated thereunder)."

By Order of the Board
Yixin Group Limited
易鑫集团有限公司
Man Wah Cheng
Company Secretary

Hong Kong, June 27, 2023

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

Executive Directors	Mr. Andy Xuan Zhang and Mr. Dong Jiang
Non-executive Directors	Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau
Independent non-executive Directors	Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong

* *For identification purpose only*

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Shareholders of the Company may consider appointing the chairman of the Extraordinary General Meeting as his/her proxy to vote on the resolution, instead of attending the Extraordinary General Meeting or any adjourned meeting in person.

   On a show of hands, every shareholder of the Company who is present in person (or, in the case of a corporation, by its duly authorized representative) shall have one vote. In the case of a poll, every shareholder of the Company present in person or by proxy or, in the case of a shareholder of the Company being a corporation, by its duly authorized representative shall be entitled to one vote for each share held by him/her.

3. In order to be valid, the proxy form together with the relevant notarised power of attorney (if any) and other relevant document of authorisation (if any), must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the Extraordinary General Meeting or the adjourned meeting (as the case may be). Delivery of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Wednesday, July 12, 2023 to Monday, July 17, 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, July 11, 2023.

5. No corporate gifts or refreshments will be provided at the Extraordinary General Meeting to reduce close contact between attendees.