



易鑫集团
YIXIN GROUP

易鑫集团有限公司
Yixin Group Limited

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

Stock Code: 2858

ANNUAL REPORT

2018



易鑫集团

YIXIN GROUP

CONTENTS

Corporate Information	2
Chairman’s Statement	4
Management Discussion and Analysis	7
Directors and Senior Management	26
Report of the Directors	33
Corporate Governance Report	78
ESG Report	102
Independent Auditor’s Report	122
Consolidated Income Statement	131
Consolidated Statement of Comprehensive Income	132
Consolidated Balance Sheet	133
Consolidated Statement of Changes in Equity	135
Consolidated Statement of Cash Flows	137
Notes to the Consolidated Financial Statements	139
Five-Year Financial Summary	261
Definitions	262

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. Dong Jiang (*President*)

Non-executive Directors

Mr. James Gordon Mitchell

Mr. Jimmy Chi Ming Lai

Mr. Chenkai Ling

Mr. Xuyang Zhang

Independent non-executive Directors

Mr. Tin Fan Yuen

Mr. Chester Tun Ho Kwok

Ms. Lily Li Dong

AUDIT COMMITTEE

Mr. Chester Tun Ho Kwok (*Chairman*)

Mr. Tin Fan Yuen

Ms. Lily Li Dong

REMUNERATION COMMITTEE

Mr. Tin Fan Yuen (*Chairman*)

Mr. Andy Xuan Zhang

Ms. Lily Li Dong

NOMINATION COMMITTEE

Mr. Andy Xuan Zhang (*Chairman*)

Mr. Chester Tun Ho Kwok

Ms. Lily Li Dong

COMPANY SECRETARY

Mr. Man Wah Cheng

AUTHORISED REPRESENTATIVES

Mr. Andy Xuan Zhang

Mr. Man Wah Cheng

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

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

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

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISER

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1905, Far East Finance Centre
16 Harcourt Road
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

12th Floor, No.3 Building
Lujiazui Century Financial Plaza
799 South Yanggao Road
Pudong New District
Shanghai 200127
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

Bank of China
Bank of Communications
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

COMPANY WEBSITE

www.yixincars.com

STOCK CODE

2858

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our annual report for the year ended December 31, 2018. Amid soft passenger vehicle sales in China, we were still able to maintain healthy growth across our businesses in 2018.

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

Appreciation

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

Andy Xuan Zhang

Chairman

Hong Kong
March 19, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Transaction platform business

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

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

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

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

Self-operated financing business

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Cost of Revenues

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Gross Profit and Margins

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Selling and Marketing Expenses

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

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

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets include provision for credit losses of finance receivables, provision for impairment of trade receivables and other receivables. It increased by approximately 159% to RMB669 million for the year ended December 31, 2018, compared to RMB258 million for the year ended December 31, 2017, primarily due to the increase in provision for credit losses of finance receivables since the adoption of IFRS 9 “Financial instruments” starting from January 1, 2018 and the increase in provision of trade receivables due to the general economic slowdown in 2018. For the year ended December 31, 2018, provision for credit losses of finance receivables was RMB497 million, compared to RMB196 million for the year ended December 31, 2017. For the year ended December 31, 2018, provision of trade receivables and other receivables was RMB172 million, compared to RMB62 million for the year ended December 31, 2017.

Research and Development Expenses

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

Other Gains, Net

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Loss

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

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

14

Finance Income, Net

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

Fair Value Loss of Convertible Redeemable Preferred Shares

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

Income Tax Expense

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

Loss for the Year

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Final Dividend

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

Non-IFRSs Measures

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Adjusted Operating Profit and Margins

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted Net Profit and Margin

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

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

Selected Financial Information from Our Consolidated Balance Sheet

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

Finance Receivables

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Our loan facilitation services grow significantly in 2018. The following table sets forth past due ratios for all financed transactions through both our self-operated financing lease services and our loan facilitation services to better assess the overall quality of our financed transactions:

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

Notes:

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

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

Cash and Cash Equivalents

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

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

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

Net Current Assets

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

Total Equity

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

Key Financial Ratios

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Current Ratio

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

Gearing Ratio

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

Capital Expenditure and Investments

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

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

Foreign Exchange Risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments Held

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

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

For further details, please refer to the announcement of the Company dated June 13, 2018.

Save as disclosed above, we did not hold any significant investments in the equity interests of any other companies for the year ended December 31, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Material Investments and Capital Assets

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

Employee and Remuneration Policy

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

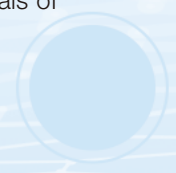
As at December 31, 2018, we had 4,483 full-time employees (December 31, 2017: 4,743). In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme, the details of which are set out in the Prospectus and Note 23 to the consolidated financial statements.

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

The total remuneration cost incurred by the Group for the year ended 31 December 2018 was RMB1,142 million (2017: RMB1,620 million).

Material Acquisitions and Disposals

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



MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

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

Contingent Liabilities

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

DIRECTORS AND SENIOR MANAGEMENT

Our Directors

The biography of each Director is set out below.

Executive Directors

Mr. Andy Xuan Zhang, aged 43, is the Chief Executive Officer, executive Director and chairman of the Board. He is also the chairman of the Nomination Committee as well as a member of the Remuneration Committee. Mr. Zhang also acts as a director of certain subsidiaries of the Company. Mr. Zhang founded the Group in December 2013. He is responsible for the overall strategic planning and business direction of the Group and management of the Company. Mr. Zhang has over 15 years of operational and managerial experience with both multinational companies and local Chinese companies in internet, automobile and finance industries. Mr. Zhang held numerous positions in Bitauto since 2006. He has served as a director and the chief executive officer of Bitauto since March 2017 and January 2018, respectively. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its successful listing on the NYSE in November 2010.

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

Mr. Dong Jiang, aged 47, is an executive Director, the president (the "**President**") and a director of certain subsidiaries of the Company. He joined the Company in March 2015 and was the chief operating officer of the Company from June 2017 to December 2017. Mr. Jiang is primarily responsible for overseeing the day-to-day operations of the Company. Prior to joining our Group, from February 2011 to March 2015, Mr. Jiang was group deputy manager of China Grand Automotive Services Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600297). From January 2008 to January 2010, he was senior vice president of China Auto Rental Inc. (now known as CAR Inc.), a company listed on the Main Board of the Stock Exchange (stock code: 699).

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

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. James Gordon Mitchell, aged 45, is a non-executive Director since June 2017. He has served as the chief strategy officer and senior executive vice president of Tencent since July 2011. From January 2000 to June 2011, he held various positions at Goldman Sachs in New York including managing director.

Mr. Mitchell is a non-executive director and chairman of China Literature Limited (閱文集團), a company listed on the Main Board of the Stock Exchange (stock code: 772), since June 2017 and a non-executive director of Frontier Developments plc, a company listed on the London Stock Exchange Alternative Investment Market (stock code: FDEV), since September 2017.

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

Mr. Jimmy Chi Ming Lai, aged 46, is a non-executive Director since June 2017. He has been the vice president of Tencent since October 2017 and the head of the financial technology group of Tencent since 2015 and is currently the dean of Tencent Finance Academy. Mr. Lai was formerly the general manager of Tencent from 2011 to 2015 and the general manager of Tencent's QQ membership division from 2009 to 2011.

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

He serves as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development in Hong Kong since March 2018. He is also a member of the Chinese People's Political Consultative Conference Guangdong Committee since January 2018.

Mr. Lai obtained his master's degree in business administration from Harvard University in June 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chenkai Ling, aged 42, is a non-executive Director. Mr. Ling joined our Group in June 2017. He joined JD.com since July 2016, worked as the vice president of corporate strategy and investment of JD.com, head of JD international since September 2018. Prior to this, he worked at Bain & Company, Inc. from August 2008, and was serving as a principal of the firm when he left in July 2016.

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

Mr. Xuyang Zhang, aged 47, is a non-executive Director. Mr. Zhang joined our Group in June 2017. He has been the vice president of Du Xiaoman Financial since August 2018 and was the vice president of Baidu from June 2016 to July 2018. Prior to that, he held various positions at China Everbright Bank from July 1997 to June 2016, including General Manager of the Asset Management department (from May 2013 to June 2016), General Manager of the Retail Business department (from September 2009 to May 2013) and Division Head of the Foreign Exchange and Structured Products Division of the Investment Banking department (from September 2005 to April 2006).

Mr. Zhang obtained his master's degree in international economics from Renmin University of China in June 1997 and his master's degree in finance and economics from The London School of Economics and Political Science in July 2003.

Independent non-executive Directors

Mr. Tin Fan Yuen, aged 66, is an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Yuen joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. He was formerly chief executive of the Stock Exchange from October 1988 to October 1991, deputy chairman and executive director of the Pacific Century Group from 1996 to 2006, deputy chairman and executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange (stock code: 8), from August 1999 to June 2006, executive chairman of Pacific Century Insurance Holdings Limited (now known as FTL Asia Holdings Limited), a company previously listed on the Main Board of the Stock Exchange (stock code: 65), from June 1999 to July 2007 and independent non-executive director of China Foods Limited, a company listed on the Main Board of the Stock Exchange (stock code: 506), from July 1993 to August 2017.

DIRECTORS AND SENIOR MANAGEMENT

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

- Agricultural Bank of China Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1288) and the Shanghai Stock Exchange (stock code: 601288), as an independent non-executive director since March 2013;
- Pacific Century Regional Developments Limited, a company listed on the Singapore Exchange Limited (stock code: P15), as an independent non-executive deputy chairman since February 2015; and
- Shanghai Industrial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 363), as an independent non-executive director since July 2016.

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

Mr. Chester Tun Ho Kwok, aged 55, is an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee. Mr. Kwok joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. Since January 2016, Mr. Kwok has been an independent non-executive director and a member of the audit committee and investment committee of Henderson Sunlight Asset Management Limited (“**Henderson Sunlight**”), the manager of Sunlight Real Estate Investment Trust listed on the Main Board of the Stock Exchange (stock code: 435). With effective from November 1, 2018, Mr. Kwok was appointed as a member of the remuneration and nomination committee of Henderson Sunlight. He has also served as the deputy chairman and a member of the Share Registrars’ Disciplinary Committee of the Securities and Futures Commission since April 2017 and April 2013, respectively, as well as a member of the Process Review Panel of the Securities and Futures Commission since November 2016. Mr. Kwok was also a member of the Takeovers and Mergers Panel of the Securities and Futures Commission from April 2007 to March 2016.

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

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lily Li Dong, aged 48, is an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Dong joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. From August 2015 to June 2017, Ms. Dong was the chief financial officer of eDaijia, an online designated driver service provider. Prior to this, she served as chief financial officer at RDA Microelectronics, Inc., a company previously listed on Nasdaq Global Select Market (NASDAQ: RDA) (“**RDA**”), a fabless semiconductor company, from November 2007 to July 2015, and was its director from January 2014 to July 2015. Ms. Dong has extensive experience as a finance and management professional and led the initial public offering process of RDA. Prior to this, Ms. Dong worked for Hewlett-Packard in China since 1992, and was the Finance Operations Manager of Hewlett-Packard Technology (Shanghai) Co., Ltd. *(惠普科技 (上海) 有限公司) when she left in 2005.

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

Our senior management

Mr. Andy Xuan Zhang, aged 43, is the Chief Executive Officer, executive Director and Chairman of the Board. For further details, please see the paragraph headed “Directors and Senior Management — Our Directors — Executive Directors” in this section.

Mr. Dong Jiang, aged 47, is our President and executive Director of our Company. For further details, please see the paragraph headed “Directors and Senior Management — Our Directors — Executive Directors” in this section.

Mr. Zhi Gao, aged 47, is our Chief Operating Officer and joined our Group in September 2016. Mr. Gao is primarily responsible for managing auto finance operations of our Group. Prior to joining our Group, Mr. Gao worked at Coca-Cola Industries Management (Shanghai) Co., Ltd (可口可樂企業管理 (上海) 有限公司) from April 2002 to August 2016, and was serving as duty general manager and market executive head of Coca-Cola Bottling Plant prior to his departure.

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Xiaozheng Liu, aged 41, is our Chief Financial Officer and joined our Group in April 2017. Ms. Liu is primarily responsible for corporate finance, investor relations, investments and acquisitions, strategy and legal matters of the Group. Between September 2015 and April 2017, Ms. Liu was chief strategy officer of Qihoo 360 Technology Co. Ltd, a company listed on the Shanghai Stock Exchange (stock code: 601360) and previously listed on the NYSE (NYSE: QIHU). Prior to that, Ms. Liu was Head of China Technology Investment Banking Division at Credit Suisse (Hong Kong) Limited, where she worked from June 2011 to September 2015. Prior to that, she was the vice president in China Investment Banking Division at Citigroup Global Markets Asia Limited, where she worked from October 2009 to June 2011.

Ms. Liu received her bachelor's degree in finance from Nanjing University in July 1997, master's degree in finance from Renmin University of China in July 2000 and master's degree in management from the University of California, Los Angeles in September 2004.

Mr. Zhifeng Jia, aged 45, is our Chief Technology Officer and joined our Group in May 2017. Mr. Jia is primarily responsible for developing our technology and data platform, as well as overseeing our Group's technology initiatives and strategies. Prior to joining our Group, Mr. Jia served as Vice President of Engineering at Autohome, Inc., a company listed on the NYSE (NYSE: ATHM) where he worked from April 2011 to April 2017. Prior to that, Mr. Jia served as Senior Director of Engineering at eLong, Inc. (藝龍旅行網), a company previously listed on Nasdaq Global Select Market (NASDAQ: LONG), where he worked from February 2008 to April 2011.

Mr. Jia received his bachelor's degree in computer science from the University of Science and Technology of China (中國科學技術大學) in July 1996, and his master's degree in information and computer science from the University of Hawaii at Manoa in June 1998.

Company Secretary

Mr. Man Wah Cheng was appointed as the Company Secretary on March 15, 2018. Mr. Cheng is a Certified Public Accountant of the HKICPA and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng has over ten years of experience in accounting, finance, taxation and corporate secretarial fields.

DIRECTORS AND SENIOR MANAGEMENT

Changes in Information of the Directors

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

Name of Director	Details of Change	Effective Date
Mr. Andy Xuan Zhang	Ceased to be president and was appointed as chief executive officer of Bitauto	January 2018
Mr. Jimmy Chi Ming Lai	Appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development in Hong Kong Appointed as a member of the Chinese People's Political Consultative Conference Guangdong Committee	March 21, 2018 January, 2018
Mr. Chenkai Ling	Appointed as a vice president of corporate strategy and investment of JD.com Appointed as the head of JD international	September, 2018 September, 2018
Mr. Xuyang Zhang	Appointed as a vice president of Du Xiaoman Financial Ceased to be a vice president of Baidu	August, 2018 July, 2018
Mr. Chester Tun Ho Kwok	Appointed as a member of the remuneration and nomination committee of Henderson Sunlight	November 1, 2018

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

REPORT OF THE DIRECTORS

The Board present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

General Information

The Company was incorporated in the Cayman Islands on November 19, 2014 as an exempted limited liability company under the Cayman Companies Law. The Company adopted and carries on business in Hong Kong under the name of “Yixin Automotive Technology Group Limited”, as approved by and registered with the Registrar of Companies on August 17, 2017 and August 30, 2017, respectively.

The Shares of the Company were publicly listed on the Main Board of the Stock Exchange under stock code 2858 on November 16, 2017.

Principal Activities

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

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

Use of Net Proceeds from the Listing

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

REPORT OF THE DIRECTORS

As at December 31, 2018, the Group had utilised the proceeds as set out in the table below:

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

Business Review

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

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

REPORT OF THE DIRECTORS

Results

The results of the Group for the year ended December 31, 2018 are set out in the consolidated income statement on page 131 of this annual report.

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

Share Capital

Details of movements in the share capital of the Company for the year ended December 31, 2018 are set out in Note 21 to the consolidated financial statements.

During the year, 3,252,030 new ordinary shares were issued pursuant to the Pre-IPO Share Option Scheme as a result of the exercise of share options by option holders, and 90,905,148 new ordinary shares were allotted for the purpose of satisfying the share awards granted under the First Share Award Scheme as mentioned in the section headed “Pre-IPO Share Option Scheme and Share Award Schemes” below.

Reserves

As at December 31, 2018, the Company had distributable reserves amounting to RMB17,362,273,000 (2017: RMB16,216,120,000).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2018 are set out in the consolidated statement of changes in equity on pages 135 to 136 and in Note 36(b) to the consolidated financial statements, respectively.

Property and Equipment

Details of movements in the property and equipment of the Group during the year ended December 31, 2018 are set out in Note 12 to the consolidated financial statements.

Subsidiaries

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

REPORT OF THE DIRECTORS

Debentures and Borrowings

As at December 31, 2018, our total borrowings were RMB30.2 billion, compared to RMB25.1 billion as at December 31, 2017. Total borrowings comprised (i) bank loans and borrowings from other institutions of RMB16.4 billion; and (ii) ABSs debt of RMB13.8 billion as at December 31, 2018. Details of the Group's borrowings are set out in Note 26 to the consolidated financial statements.

The Group has not issued any debenture during the Reporting Period (2017: nil).

Donations

During the year ended December 31, 2018, the Group did not make any charitable donations (2017: HK\$1 million).

Five-Year Financial Summary

A summary of the condensed consolidated results and financial positions of the Group is set out on page 261 of this annual report.

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

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

Emolument Policy and Directors' Remuneration

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

REPORT OF THE DIRECTORS

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

Pre-IPO Share Option Scheme and Share Award Schemes

1. Pre-IPO Share Option Scheme

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

Purpose

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

Eligible participants

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

Maximum number of Shares

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

As at December 31, 2018, outstanding options representing 210,367,397 underlying Shares were granted to eligible participants pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are set out in Note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Limit for each participant

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

Remaining life of the Pre-IPO Share Option Scheme

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

Consideration

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

Option period

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

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



REPORT OF THE DIRECTORS

Exercise price

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

Details of the movement of the options granted under the Pre-IPO Share Option Scheme during the year ended December 31, 2018 (the “Year”) are as follows:

Name or category of option holders	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2018	Number of options		Outstanding as at December 31, 2018
					Exercised during the Year	Cancelled/Lapsed during the Year	
Director and senior management							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from date of grant	US\$0.0014	192,599,071	–	–	192,599,071
	October 1, 2017	10 years from date of grant	US\$0.0014	65,002,189	–	–	65,002,189
Mr. Zhifeng Jia (賈志峰)	July 3, 2017	10 years from date of grant	US\$0.0014	700,000	(175,000)	–	525,000
Other grantees							
In aggregate	Between July 3, 2017 and October 1, 2017	10 years from date of grant	US\$0.0014	23,561,615	(3,077,030)	(8,663,557)	11,821,028
Total				281,862,875	(3,252,030)	(8,663,557)	269,947,288

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

2. First Share Award Scheme

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

Purpose

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

REPORT OF THE DIRECTORS

Eligible participants

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

Awards

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

Granting of awards

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

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

Maximum number of Shares to be awarded

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

As at December 31, 2018, 94,578,532 Shares had been granted or agreed to be granted under the First Share Award Scheme.

REPORT OF THE DIRECTORS

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

Name	Date of grant	Held at January 1, 2018	Granted during the year	Number of Awards		Held at December 31, 2018	Vesting date	Closing price at date of grant (HK\$)
				Vested during the year	Lapsed during the year			
Other grantees								
In aggregate	17-Jul-18	—	348,600	348,600	—	—	31-Aug-18	3.14
	17-Jul-18	—	435,532	435,532	—	—	30-Sep-18	3.14
	17-Jul-18	—	572,500	572,500	—	—	31-Dec-18	3.14
	17-Jul-18	—	9,993,093	—	1,122,158	8,870,935	31-Mar-19	3.14
	17-Jul-18	—	348,600	—	—	348,600	31-Aug-19	3.14
	17-Jul-18	—	143,500	—	—	143,500	30-Sep-19	3.14
	17-Jul-18	—	572,500	—	—	572,500	31-Dec-19	3.14
	17-Jul-18	—	9,995,361	—	1,122,158	8,873,203	31-Mar-20	3.14
	17-Jul-18	—	142,800	—	—	142,800	31-Aug-20	3.14
	17-Jul-18	—	143,500	—	—	143,500	30-Sep-20	3.14
	17-Jul-18	—	572,500	—	—	572,500	31-Dec-20	3.14
	17-Jul-18	—	9,938,636	—	1,122,158	8,816,478	31-Mar-21	3.14
	17-Jul-18	—	143,500	—	—	143,500	30-Sep-21	3.14
	17-Jul-18	—	572,500	—	—	572,500	31-Dec-21	3.14
	17-Jul-18	—	9,482,026	—	1,122,158	8,359,868	31-Mar-22	3.14
Sub-total			43,405,148	1,356,632	4,488,632	37,559,884		
	20-Dec-18	—	11,140,097	—	12,500	11,127,597	31-Mar-19	1.83
	20-Dec-18	—	1,919,500	—	—	1,919,500	31-Aug-19	1.83
	20-Dec-18	—	232,500	—	—	232,500	30-Nov-19	1.83
	20-Dec-18	—	10,265,097	—	12,500	10,252,597	31-Mar-20	1.83
	20-Dec-18	—	2,129,479	—	—	2,129,479	31-Aug-20	1.83
	20-Dec-18	—	232,500	—	—	232,500	30-Nov-20	1.83
	20-Dec-18	—	10,265,097	—	12,500	10,252,597	31-Mar-21	1.83
	20-Dec-18	—	2,129,479	—	—	2,129,479	31-Aug-21	1.83
	20-Dec-18	—	232,500	—	—	232,500	30-Nov-21	1.83
	20-Dec-18	—	10,265,093	—	12,500	10,252,593	31-Mar-22	1.83
	20-Dec-18	—	2,129,542	—	—	2,129,542	31-Aug-22	1.83
	20-Dec-18	—	232,500	—	—	232,500	30-Nov-22	1.83
Sub-total			51,173,384	—	50,000	51,123,384		
Total			94,578,532	1,356,632	4,538,632	88,683,268		

REPORT OF THE DIRECTORS

Limit for each participant

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

Termination

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

- (a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the First Share Award Scheme or the Listing Date except in respect of any non-vested First Award Shares granted hereunder prior to the expiration of the First Share Award Scheme, for the purpose of giving effect to the vesting of such First Award Shares or otherwise as may be required in accordance with the provisions of the First Share Award Scheme; and
- (b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the First Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the First Award Shares already granted to a selected participant.

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

3. Second Share Award Scheme

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

Purpose

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

REPORT OF THE DIRECTORS

Eligible participants

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

Awards

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

Granting of awards

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

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

Maximum number of Shares to be awarded

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

As at December 31, 2018, 12,318,478 Shares had been granted or agreed to be granted under the Second Share Award Scheme.

REPORT OF THE DIRECTORS

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

Name	Date of grant	Number of Awards					Held at December 31, 2018	Vesting date	Closing price at date of grant (HK\$)
		Held at January 1, 2018	Granted during the year	Vested during the year	Lapsed during the year	Held at December 31, 2018			
Directors									
Mr. Dong Jiang	20-Sep-18	—	1,225,000	—	—	1,225,000	31-Mar-19	2.34	
	20-Sep-18	—	1,225,000	—	—	1,225,000	31-Mar-20	2.34	
	20-Sep-18	—	1,225,000	—	—	1,225,000	31-Mar-21	2.34	
	20-Sep-18	—	1,225,000	—	—	1,225,000	31-Mar-22	2.34	
Mr. Tin Fan Yuen	20-Sep-18	—	337,847	337,847	—	—	29-Nov-18	2.34	
	20-Sep-18	—	337,847	—	—	337,847	16-Nov-19	2.34	
	20-Sep-18	—	337,847	—	—	337,847	16-Nov-20	2.34	
	20-Sep-18	—	337,850	—	—	337,850	16-Nov-21	2.34	
Mr. Chester Tun Ho Kwok	20-Sep-18	—	337,847	337,847	—	—	29-Nov-18	2.34	
	20-Sep-18	—	337,847	—	—	337,847	16-Nov-19	2.34	
	20-Sep-18	—	337,847	—	—	337,847	16-Nov-20	2.34	
	20-Sep-18	—	337,850	—	—	337,850	16-Nov-21	2.34	
Ms. Lily Li Dong	20-Sep-18	—	168,924	168,924	—	—	29-Nov-18	2.34	
	20-Sep-18	—	168,924	—	—	168,924	16-Nov-19	2.34	
	20-Sep-18	—	168,924	—	—	168,924	16-Nov-20	2.34	
	20-Sep-18	—	168,924	—	—	168,924	16-Nov-21	2.34	
Sub-total			8,278,478	844,618	—	7,433,860			
Other grantees									
In aggregate	20-Sep-18	—	420,000	420,000	—	—	30-Sep-18	2.34	
	20-Sep-18	—	500,000	—	—	500,000	31-Mar-19	2.34	
	20-Sep-18	—	420,000	—	—	420,000	30-Sep-19	2.34	
	20-Sep-18	—	500,000	—	—	500,000	31-Mar-20	2.34	
	20-Sep-18	—	500,000	—	—	500,000	31-Mar-21	2.34	
	20-Sep-18	—	500,000	—	—	500,000	31-Mar-22	2.34	
	20-Dec-18	—	300,000	—	—	300,000	31-Mar-19	1.83	
	20-Dec-18	—	300,000	—	—	300,000	31-Mar-20	1.83	
	20-Dec-18	—	300,000	—	—	300,000	31-Mar-21	1.83	
	20-Dec-18	—	300,000	—	—	300,000	31-Mar-22	1.83	
	Sub-total			4,040,000	420,000	—	3,620,000		
	Total			12,318,478	1,264,618	—	11,053,860		

REPORT OF THE DIRECTORS

Limit for each participant

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

Termination

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

- (a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the Second Share Award Scheme or the Listing Date except in respect of any non-vested Second Award Shares granted hereunder prior to the expiration of the Second Share Award Scheme, for the purpose of giving effect to the vesting of such Second Award Shares or otherwise as may be required in accordance with the provisions of the Second Share Award Scheme; and
- (b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Second Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Second Award Shares already granted to a selected participant.

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

Equity-linked Agreements

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

REPORT OF THE DIRECTORS

Directors

The Directors who held office during the year ended December 31, 2018 and up to the date of this report are:

Executive Directors:

Mr. Andy Xuan Zhang (Chairman and Chief Executive Officer)

Mr. Dong Jiang (President)

Non-executive Directors:

Mr. James Gordon Mitchell

Mr. Jimmy Chi Ming Lai

Mr. Chenkai Ling

Mr. Xuyang Zhang

Independent non-executive Directors:

Mr. Tin Fan Yuen

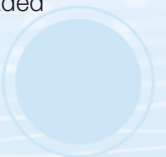
Mr. Chester Tun Ho Kwok

Ms. Lily Li Dong

Pursuant to Article 16.18 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and will be eligible for re-election at that meeting. Accordingly, Mr. Dong Jiang, Mr. Jimmy Chi Ming Lai and Mr. Xuyang Zhang (“**Mr. Zhang**”) shall retire by rotation at the AGM and, all being eligible, offer themselves for re-election, except Mr. Zhang who does not opt for re-election due to his other business commitments which requires more of his dedication.

Board of Directors and Senior Management

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



REPORT OF THE DIRECTORS

Directors' Service Contracts

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section "Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2018.

Permitted Indemnity Provision

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

REPORT OF THE DIRECTORS

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

Management Contracts

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

Directors' Rights to Acquire Shares or Debentures

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

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at December 31, 2018, 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



REPORT OF THE DIRECTORS

they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the underlying Shares

Name of Director	Beneficiary of		Number of Shares		Approximate percentage of issued Shares ⁽⁶⁾
	a trust (other than a discretionary interest)	Personal interest	Number of underlying Shares interested	Total interests	
Mr. Andy Xuan Zhang	—	—	257,601,260(L) ⁽¹⁾	257,601,260	4.04%
Mr. Dong Jiang	26,963,867(L) ⁽²⁾	11,555,943(L) ⁽²⁾	4,900,000(L) ⁽³⁾	43,419,810	0.68%
Ms. Lily Li Dong	—	—	506,772(L) ⁽⁴⁾	506,772	0.01%
Mr. Chester Tung Ho Kwok	—	—	1,013,544(L) ⁽⁴⁾	1,013,544	0.02%
Mr. Tin Fan Yuen	—	—	1,013,544(L) ⁽⁴⁾	1,013,544	0.02%

Notes:

- (1) Mr. Andy Xuan Zhang's entitlement to receive up to 257,601,260 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (2) Mr. Dong Jiang's entitlement to receive up to 38,519,810 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme subject to the conditions (including vesting conditions) of those options and the options are held by the Xindu Limited with Yidu PTC Limited as trustee ("**Xindu Trust**"). On July 18, 2018, the Xindu Trust has transferred 11,555,943, shares to Mr. Dong Jiang.
- (3) Such interest represents the award shares granted to Mr. Dong Jiang under the Second Share Award Scheme adopted by the Company on September 20, 2018, and not been vested as at December 31, 2018.
- (4) Such interest represents the award shares granted to each of Ms. Lily Li Dong, Mr. Chester Tung Ho Kwok and Mr. Tin Fan Yuen under the Second Share Award Scheme adopted by the Company respectively on September 20, 2018, and not been vested as at December 31, 2018.
- (5) The letter "L" denotes long position in such underlying Shares.
- (6) The percentages are calculated on the basis of 6,370,479,652 Shares in issue as at December 31, 2018.

REPORT OF THE DIRECTORS

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

Name of Director	Number of ordinary shares in Bitauto				
	Beneficiary of a trust (other than a discretionary interest)	Personal interest	Number of underlying shares interested	Total interests	Approximate percentage of issued shares ⁽³⁾
Mr. Andy Xuan Zhang	—	—	2,100,000(L) ⁽¹⁾	2,100,000	2.89%

Notes:

- (1) Mr. Andy Xuan Zhang's entitlement to shares related to outstanding options and restricted stock units granted under Bitauto's employee incentive plans.
- (2) The letter "L" denotes long position in such underlying shares.
- (3) The percentage is calculated in the basis of 72,739,966 ordinary shares of Bitauto in issue as at December 31, 2018.

Save as disclosed above, as at December 31, 2018, 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.



REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at December 31, 2018, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of Shares interested ⁽⁵⁾	Approximate percentage of issued Shares ⁽⁶⁾
Bitauto	Beneficial owner	496,544,440(L)	7.79%
Bitauto ⁽¹⁾	Interest of controlled corporation	2,290,292,130(L)	35.95%
Bitauto ⁽²⁾	Interest of a party to an agreement regarding interest in the Company	627,632,248(L)	9.86%
Bitauto HK ⁽¹⁾	Beneficial owner	2,290,292,130(L)	35.95%
Tencent ⁽³⁾	Interest of controlled corporation	1,312,059,280(L)	20.60%
Dongting Lake Investment Limited ⁽³⁾	Beneficial owner	931,604,940(L)	14.62%
JD Financial Investment Limited ⁽⁴⁾	Beneficial owner	684,283,320(L)	10.74%
JD.com Investment Limited ⁽⁴⁾	Interest of controlled corporation	684,283,320(L)	10.74%
JD.com ⁽⁴⁾	Interest of controlled corporation	684,283,320(L)	10.74%
Max Smart Ltd ⁽⁴⁾	Interest of controlled corporation	684,283,320(L)	10.74%
UBS Trustees (B.V.I.) Limited ⁽⁴⁾	Trustee	684,283,320(L)	10.74%
劉強東	Beneficiary of a trust	684,283,320(L)	10.74%

Notes:

- (1) Bitauto HK is a wholly-owned subsidiary of Bitauto. Accordingly, Bitauto is deemed to be interested in the same number of Shares in which Bitauto HK is interested under the SFO.
- (2) Pursuant to the Voting Proxy Agreement entered into amongst Bitauto, Tencent and JD.com on October 31, 2017, Tencent and JD.com granted to Bitauto a voting proxy over Shares representing two-thirds and one-third, respectively, of 10% of the then issued share capital of the Company, solely for the purpose of enabling Bitauto to exercise in excess of 50% of the voting rights in the Company.

REPORT OF THE DIRECTORS

- (3) Dongting Lake Investment Limited which holds 931,604,940 Shares, Morespark Limited which holds 267,603,350 Shares, and Tencent Mobility Limited which holds 112,850,990 Shares, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are interested under the SFO.
- (4) JD Financial Investment Limited is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is owned as to 71.70% by Max Smart Ltd. which in turn is wholly-owned by UBS Nominees Limited, and UBS Nominees Limited is wholly-owned by UBS Trustees (B.V.I.) Limited. Accordingly, each of JD.com Investment Limited, JD.com, Max Smart Ltd, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the same number of Shares in which JD Financial Investment Limited is interested under the SFO.
- (5) The letter "L" denotes long position in such Shares.
- (6) The percentages are calculated on the basis of 6,370,479,652 Shares in issue as at December 31, 2018.

Save as disclosed above, as at December 31, 2018, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Pre-emptive Rights

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

Tax Relief and Exemption

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

Directors' Interests in Competing Business

Save and except for the interests of our Controlling Shareholders in our Company, during the year ended December 31, 2018, neither our Controlling Shareholders nor any of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

REPORT OF THE DIRECTORS

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

Contracts with Controlling Shareholders

No contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries or the Consolidated Affiliated Entity and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2018.

Corporate Governance

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

Connected Transactions

Prior to the Listing, the Group has entered into certain transactions and agreements with parties who have become connected persons of the Company upon the Listing. Such pre-existing transactions, together with new transactions and agreements entered into with connected persons during the Reporting Period, constituted continuing connected transactions of the Company for the year ended December 31, 2018.

- Bitauto is considered a “connected person” under the Listing Rules by virtue of it being a substantial Shareholder holding an aggregate of approximately 43.74% of the total number of issued Shares. Pursuant to the Voting Proxy Agreement, Bitauto is able to control an additional 9.86% of our Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Bitauto and its associates are considered as connected transactions.
- Bitauto HK is considered a “connected person” under the Listing Rules by virtue of it being a substantial Shareholder holding 35.95% of the total number of issued Shares. Pursuant to Rules 14A.07(1) of the Listing Rules, any transactions between the Company and Bitauto HK are considered as connected transactions.

REPORT OF THE DIRECTORS

- Tencent is considered a “connected person” under the Listing Rules by virtue of it being a substantial Shareholder holding 20.60% of the total number of issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Tencent and its associates are considered as connected transactions.
- JD.com is considered a “connected person” under the Listing Rules by virtue of it being a substantial Shareholder holding 10.74% of the total number of issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and JD.com and its associates are considered as connected transactions.

Set out below is a table in relation to continuing connected transactions of the Group during the Reporting Period and are required under the Listing Rules to be disclosed in the annual report and consolidated financial statements of the Company.

	Aggregate		
	Annual Amount	Annual Cap Amount	
	for the year ended	for the year ended	for the year ending
	December 31,	December 31,	December 31,
	2018	2018	2019
Continuing Connected Transactions	(RMB)	(RMB)	(RMB)
1. Data Services Framework Agreement	666,163	21,993,000	34,220,000
2. Cloud Data Management Framework Agreement	688,230	4,000,000	5,000,000
3. Prepaid Card Purchasing Agreement	1,573,760	45,000,000	51,000,000
4. Used Auto Services Agreements	21,895,172	57,120,000	72,120,000
5. Automobile Leasing Framework Agreement	16,867,759	18,000,000	21,600,000
6. Structured Financing Framework Agreement	7,678,125	70,000,000	N/A
7. Automobile Financing Cooperation Framework Agreement	134,205,376	190,000,000	190,000,000
8. Cooperation Framework Agreement			
Online calculator tool	—	60,000,000	60,000,000
Data analytics report services	10,600,000	14,000,000	14,000,000
Brand promotion services	11,725,760	20,000,000	20,000,000
Traffic support services	48,823,954	54,000,000	72,000,000
Advertising agent services	13,798,948	16,000,000	16,000,000
Total	84,948,662	164,000,000	182,000,000
9. Two Contractual Arrangements	N/A	N/A	N/A

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

4. Used auto services agreements with Beijing Jingzhengu Information Technology Co., Ltd. (北京精真估信息技術有限公司) (“**Jingzhengu**”) and its affiliate Shanghai You Yue Information Technology Co., Ltd. Beijing Branch (上海優約信息技術有限公司北京分公司) (“**You Yue**”)

On July 31, 2017, Shanghai Yixin, Beijing Yixin, Beijing KKC and Jingzhengu (an associate of Bitauto) entered into a used auto valuation and inspection services strategic cooperation agreement (“**Used Auto Services Strategic Cooperation Agreement**”) whereby Jingzhengu provides (i) onsite and online used car valuation and used car inspection services for the used cars financed or facilitated by us for a fixed fee per car, and (ii) a free portal on our website taoche.com that our consumers can use to compute or solicit a quotation for the value of a vehicle. The term of the Used Auto Services Strategic Cooperation Agreement commenced on the date of the agreement and will expire on December 31, 2019. Further, in relation to the arrangements under the Used Auto Services Strategic Cooperation Agreement, Tianjin Hengtong and You Yue (an affiliate of Jingzhengu and an associate of Bitauto) entered into an agreement, commencing on July 1, 2017 and expiring on December 31, 2018, for the provision of used car valuation services on substantially the same terms as the onsite and online used car valuation services under the Used Auto Services Strategic Cooperation Agreement (together with the Used Auto Services Strategic Cooperation Agreement, the “**Used Auto Services Agreements**”).

Each of the fees payable by us to Jingzhengu and You Yue outlined above has been determined based on arm's length discussions and by reference to rates charged by other independent third party service providers for comparable services.

REPORT OF THE DIRECTORS

Jingzhengu and You Yue provides services to the Group in relation to our used auto business, including onsite and online valuation and inspection. We require valuation services for the majority of used automobiles we finance as part of our risk management process and in order to accurately value our cars when they are leased to our customers. We require inspection services in order to meet our customers' demand for used automobile inspection services. We expect to expand our used automobile lease business from 2017 to 2019 and therefore we expect the demand of our customers for vehicle inspection and valuation services to increase in the same period.

Further details of the Used Auto Services Agreements are set out in the Prospectus.

5. Automobile leasing agreement with Beijing Bitauto Interactive

On August 31, 2017, Shanghai Yixin and Beijing Bitauto Interactive (an associate of Bitauto) entered into an automobile leasing framework agreement (the “**Automobile Leasing Framework Agreement**”) whereby Beijing Bitauto Interactive (and/or its affiliates) leases automobiles from Shanghai Yixin in exchange for a fee. The term of the Automobile Leasing Framework Agreement is for three years commencing on the date of the agreement.

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

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

Further details of the Automobile Leasing Framework Agreement are set out in the Prospectus.



REPORT OF THE DIRECTORS

6. Structured financing framework agreement with WeShare (Shenzhen) Limited (新分享科技服務(深圳)有限公司) (“**WeShare Technology**”)

On December 8, 2017, Xince Investment and WeShare Technology entered into a structured financing framework agreement (the “**Structured Financing Framework Agreement**”), pursuant to which WeShare Technology, through itself and its affiliates, will provide services to Xince Investment and the Group in relation to certain Structured Financing Transactions on a non-exclusive basis, including (i) transaction design services, (ii) process management services, (iii) market information services, and (iv) consultation services and technical support. The term of the Structured Financing Framework Agreement is from December 8, 2017 to December 31, 2018.

The precise scope and nature of the services to be provided by WeShare Technology will be specified in the individual agreements to be entered into (the “**Subsequent Agreements**”) for the transactions contemplated under the Structured Financing Framework Agreement from time to time (the “**Transactions**”) and will be determined based on the structured financing transactions provided by the Group at the relevant time. Xince Investment and WeShare Technology will endeavour to procure their respective affiliates to comply with the terms of the Structured Financing Framework Agreement.

The pricing of the Transactions will be determined by the relevant affiliates of Xince Investment at the time of entry into the Subsequent Agreements based on the applicable market practices and value of the services provided.

By entering into the Structured Financing Framework Agreement, the Group can utilise the resources, capabilities, support and expertise offered by WeShare Technology, thereby diversifying the Group’s financing channels and strengthening the Group’s financing capabilities.

Until August 28, 2018, WeShare Technology was an associate of Tencent and therefore a connected person of the Company. On December 28, 2018, we were confirmed by Tencent that, since August 29, 2018, WeShare Technology ceased to be an associate of Tencent, and therefore, ceased to be a connected person of the Company. Accordingly, the Structured Financing Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules until August 28, 2018.

REPORT OF THE DIRECTORS

Further details of the Structured Financing Framework Agreement and its subsequent renewal are set out in the announcements of the Company dated December 10, 2017 and December 4, 2018, respectively.

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

On August 7, 2018, Xinch Investment and WeBank entered into an automobile financing cooperation framework agreement (the “**Automobile Financing Cooperation Framework Agreement**”), pursuant to which Xinch Investment and WeBank agreed to cooperate to deliver certain automobile financing services to their customers. WeBank will pay Xinch Investment service fees in consideration for the cooperation. The term of the Automobile Financing Cooperation Framework Agreement commences from August 7, 2018 and will expire on December 31, 2019.

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

The services fees to be payable by WeBank to the Group shall be calculated by multiplying the interest income WeBank generates from auto loan transactions facilitated by the Group and a predetermined rate, which is derived from the quotient of (a) the difference between the annualized interest rate that WeBank charges for the auto loan transactions facilitated by the Group (the “**Annualized Interest Rate**”) and the annualized rate of return WeBank requires and (b) the Annualized Interest Rate. The annualized rate of return WeBank requires and the Annualized Interest Rate may be agreed from time to time between the parties with reference to prevailing market conditions and rates.

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

REPORT OF THE DIRECTORS

WeBank is an associate of Tencent, and is therefore a connected person of the Company. Accordingly, the Automobile Financing Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Further details of the Automobile Financing Cooperations Framework Agreement are set out in the announcements of the Company dated August 7, 2018 and August 27, 2018.

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

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

Given the complementary nature of the services we provide to Bitauto’s customers through our online portals and websites, we expect that we will continue to provide these services to Bitauto and its associates.

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

REPORT OF THE DIRECTORS

Confirmation from the independent non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (8) above (the “**Continuing Connected Transactions**”), and confirmed the Continuing Connected Transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the continuing connected transactions of the Group for the year ended December 31, 2018, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA.

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into by the Group for the year ended December 31, 2018:

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

REPORT OF THE DIRECTORS

- (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

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

9. Two Contractual Arrangements

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

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

Reasons for the Two Contractual Arrangements

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

REPORT OF THE DIRECTORS

Our Consolidated Affiliated Entity is Beijing Yixin, which was established under the laws of the PRC. We do not directly own any equity interest in Beijing Yixin, which was held by Mr. Bo Han (韓波) (“**Mr. Han**”) who was an employee of the Group, Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) (“**Shenzhen Tencent**”), Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) (“**Beijing JD**”) as to 55.7%, 26.6% and 17.7%, respectively, upon the termination of the Contractual Arrangements on October 4, 2018. Shenzhen Tencent and Beijing JD are both domestic PRC companies and Mr. Han is a PRC national. Pursuant to the New Contractual Arrangements (as described below), Beijing Yixin is currently held by Tianjin Jushen Information Technology Co., Ltd. (天津聚莘信息技術有限公司) (“**Tianjin Jushen**”), Shenzhen Tencent and Beijing JD as to 55.7%, 26.6% and 17.7%, respectively (the “**Nominal Shareholders**”). Tianjin Jushen is a domestic PRC company wholly-owned by Mr. Chen Yongzhi (陳永智), who is a PRC citizen and the vice president of the asset management department of the Group.

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

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

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on August 10, 2017. Under the Contractual Arrangements, Beijing KKC had acquired effective control over the financial and operational policies of Beijing Yixin and had become entitled to all the economic benefits derived from their operations. On October 4, 2018, we entered into the New Contractual Arrangements (which have terms and conditions substantially the same as the Contractual Arrangements) mainly for the change of one of the nominal shareholders of Beijing Yixin from Mr. Bo Han to Tianjin Jushen. The Contractual Arrangements were terminated concurrently. The New Contractual Arrangements were entered into for the purpose of (i) reducing the likelihood of reproducing a new series of contractual arrangements when there is any change in the nominal individual shareholder in the future by designating Tianjin Jushen as one of the nominal shareholders and (ii) streamlining the operations of the Group and reducing the overlap between the subsidiaries and the consolidated affiliated entities within the Group by having Tianjin Kars, a company newly established in June 2018, dedicated mainly to maintaining and exercising control over the operations of Beijing Yixin. Further details of the New Contractual Arrangements and the changes are set out in the announcement of the Company dated October 4, 2018.

REPORT OF THE DIRECTORS

We believe that the Two Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC.

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

Risks relating to the Two Contractual Arrangements

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

- If the PRC government finds that the agreements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- We rely on contractual arrangements with our variable interest entity and its shareholders for certain of our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.
- We conduct our online business operation in the PRC through our Consolidated Affiliated Entity by way of the contractual arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws and our ability to enforce the equity interest pledge agreement between us and the variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

REPORT OF THE DIRECTORS

- The shareholders of our Consolidated Affiliated Entity may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Contractual arrangements with our Consolidated Affiliated Entity and our principal shareholders may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and our Consolidated Affiliated Entity owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.
- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

66

Two Contractual Arrangements in place

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

1. Exclusive business cooperation agreements

Beijing Yixin entered into an exclusive business cooperation agreement with Beijing KKC on August 10, 2017 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Beijing Yixin agreed to engage Beijing KKC as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, equipment, leasing, marketing consultancy, customer order management and customer services, system integration and maintenance, in exchange for service fees. Under these arrangements, the service fees shall consist of an amount to be determined by Beijing KKC and Beijing Yixin in writing through negotiation after consideration of certain factors.

On October 4, 2018, Beijing Yixin entered into the new exclusive business cooperation agreement (the “**New Exclusive Business Cooperation Agreement**”) with Tianjin Kars to engage Tianjin Kars as its exclusive provider of such business support, technical and consulting services on the same terms and conditions as those of the Exclusive Business Cooperation Agreement. The Exclusive Business Cooperation Agreement was terminated concurrently.

REPORT OF THE DIRECTORS

As of December 31, 2018, the accumulated losses of Beijing Yixin amounted to RMB334 million (2017: RMB231 million). Beijing KKC enjoyed all the economic benefits derived from the businesses of Beijing Yixin and bore Beijing Yixin's business risks until October 3, 2018 and Tianjin Kars enjoys all the economic benefits derived from the businesses of Beijing Yixin and bears Beijing Yixin's business risks starting from October 4, 2018. If Beijing Yixin runs into financial deficit or suffers severe operation difficulties, Tianjin Kars will provide financial support to Beijing Yixin.

2. Exclusive option agreements

Beijing Yixin and Mr. Han, Shenzhen Tencent and Beijing JD entered into an exclusive option agreement with Beijing KKC on August 10, 2017 (the “**Exclusive Option Agreements**”), pursuant to which Mr. Han, Shenzhen Tencent and Beijing JD granted Beijing KKC an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “**designee**”) to purchase the equity interests in Beijing Yixin (the “**Optioned Interests**”) then held by Mr. Han, Shenzhen Tencent and Beijing JD once or at multiple times at any time in part or in whole at Beijing KKC's sole and absolute discretion to the extent permitted under the applicable laws of China. Where Beijing KKC chooses to purchase the Optioned Interests, Mr. Han, Shenzhen Tencent and Beijing JD shall cause Beijing Yixin to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the transfer of the Optioned Interests from Mr. Han, Shenzhen Tencent or Beijing JD to Beijing KKC and/or its designee.

On October 4, 2018, Beijing Yixin and each of the Nominal Shareholders entered into the new exclusive option agreement (the “**New Exclusive Option Agreements**”) with Tianjin Kars on the same terms and conditions as those of the Exclusive Option Agreements, pursuant to which the Nominal Shareholders granted Tianjin Kars an irrevocable and exclusive right to purchase, or designate designee(s) to the Optioned Interests. The Exclusive Option Agreements were terminated concurrently.



REPORT OF THE DIRECTORS

3. Equity interest pledge agreements

Beijing KKC and each of Mr. Han, Shenzhen Tencent and Beijing JD entered into equity pledge agreements on August 10, 2017 (the “**Equity Interest Pledge Agreement**”). Under the Equity Interest Pledge Agreement, Mr. Han, Shenzhen Tencent and Beijing JD agreed to pledge all their respective equity interests in Beijing Yixin that they own, including any interest or dividend paid for the shares, to Beijing KKC as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts of Beijing Yixin and Mr. Han, Shenzhen Tencent and Beijing JD under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

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

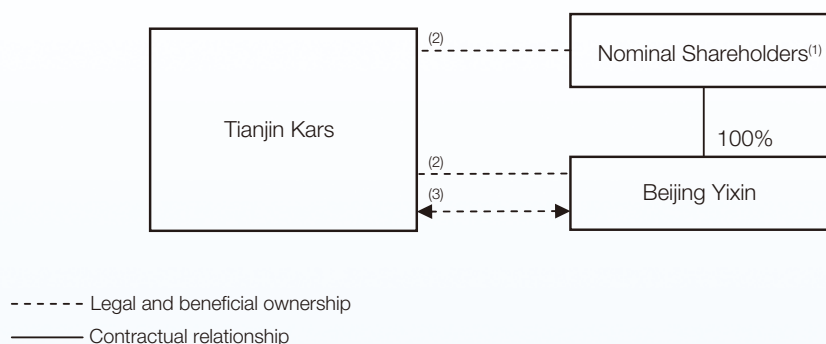
4. Powers of attorney

Beijing Yixin, each of Mr. Han, Shenzhen Tencent and Beijing JD and Beijing KKC entered into a power of attorney on August 10, 2017 (the “**Powers of Attorney**”). Under the Powers of Attorney, each of Mr. Han, Shenzhen Tencent and Beijing JD irrevocably appointed Beijing KKC (as well as its successors, including a liquidator, if any, replacing Beijing KKC) or its designee(s) (including its directors) as their exclusive agent and attorney to act on their behalf on all matters concerning Beijing Yixin and to exercise all of its rights as a registered shareholder of Beijing Yixin.

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

REPORT OF THE DIRECTORS

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



Notes:

- (1) The Nominal Shareholders of Beijing Yixin are Tianjin Jushen, Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.
- (2) The Nominal Shareholders executed the powers of attorney in favor of Tianjin Kars to exercise all shareholders' rights in Beijing Yixin. Please refer to the announcement of the Company dated October 4, 2018 for further details.

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

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

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

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the financial year ended December 31, 2018. There was no material change in the Two Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2018.

For the year ended December 31, 2018, none of the Contractual Arrangements or the New Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements or the New Contractual Arrangements has been removed.

REPORT OF THE DIRECTORS

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

The revenue of Beijing Yixin for the years ended December 31, 2018 and 2017 were RMB151 million and RMB101 million, respectively.

For the year ended December 31, 2018, the revenue of Beijing Yixin amounted to approximately 2.7% (2017: 2.6%) of the revenue for the year of the Group.

Mitigation actions taken by the Company

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

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

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

Listing Rule Implications

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

Waiver from the Stock Exchange and annual review

The Stock Exchange has granted the Company a waiver (the "**IPO Waiver**") pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual

REPORT OF THE DIRECTORS

Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the transactions under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;
- (c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;
- (d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and
- (e) our Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

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

Qualification requirements

PRC law currently limits foreign ownership of companies that provide value-added telecommunications services (including Internet information services other than operating E-commerce business) in the PRC up to 50%. Moreover, for a foreign investor to obtain any equity interest in a value-added telecommunications

REPORT OF THE DIRECTORS

company in China, it must satisfy the Qualification Requirements. Foreign investors that meet these requirements must obtain approvals from the MIIT and MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued value-added telecommunications business operating licenses to only a limited number of foreign-invested companies. If Beijing Yixin has a foreign investor as its shareholder, such foreign investor must fulfill the aforementioned requirements and Beijing Yixin shall apply a new ICP License from the MIIT. The MIIT will have discretion as to whether to grant the license. None of our Company or any of its offshore subsidiaries currently satisfies the qualification requirement relating to value-added telecommunications businesses.

Efforts and actions undertaken to comply with the Qualification Requirements

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

1. Yixin HK has been incorporated in Hong Kong since November 2014 for the purposes of establishing and expanding our operations overseas;
2. We have registered several trademarks outside the PRC for the promotion of our Relevant Businesses overseas;
3. Yixin HK has set up an office and employed staffs in Hong Kong for the expansion of our operations overseas;
4. Our Company has constructed its overseas website, www.yixincars.com, which is primarily for introducing our Group's business to users and investor relations purpose. The Company plans to utilize this website to help overseas investors to better understand our products and business, and our website will have links to re-direct the users to our domestic website. Through this overseas website, we can capture and analyze overseas user data in order to provide helpful insights for our overseas expansion plans; and

REPORT OF THE DIRECTORS

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

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

Our PRC Legal Advisor conducted a consultation with the relevant government authority, being the Beijing Municipal Communications Authority, during which it confirmed that steps such as those taken by us above (e.g. establishing overseas offices, holding overseas domain names and conducting operation of websites and other businesses in relation to value-added telecommunication services) are generally deemed to be one of the factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations.

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

REPORT OF THE DIRECTORS

Confirmation from the independent non-executive Directors

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

- (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Two Contractual Arrangements;
- (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- (iii) no new contracts were entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period; and
- (iv) the Two Contractual Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the Contractual Arrangements of the Group for the year ended December 31, 2018, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the Two Contractual Arrangements during the Reporting Period:

- (a) nothing has come to their attention that causes them to believe that the Contractual Arrangements or the New Contractual Arrangements have not been approved by the Board; and
- (b) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Two Contractual Arrangements governing such transactions.

REPORT OF THE DIRECTORS

The actual amount of the transactions pursuant to the Contractual Arrangements and the New Contractual Arrangements during the Reporting Period, which are eliminated in the consolidated financial statements, are RMB140,525,993 and RMB50,046,350 respectively.

Major Customers and Suppliers

Customers

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

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

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

For the year ended December 31, 2018, the revenue amounts from the Group's five largest customers accounted for 10% (2017: 11%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 4% (2017: 3%) of the Group's total revenue.

During the year ended December 31, 2018, our largest customer from which we derived 4% of our revenues was Industrial and Commercial Bank of China.

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

Suppliers

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

REPORT OF THE DIRECTORS

We are dedicated to work closely with our top suppliers to strengthen our relationships with them. Purchases from our five largest suppliers excluding banks, financial institutions and ABSs holders for the year ended December 31, 2018 accounted for approximately 23% (2017: 35%) of our total purchase amount. Our largest supplier for the year ended December 31, 2018 accounted for approximately 6% (2017: 12%) of our total purchase amount.

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

76

Auditor

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

Important Events After the Reporting Period

No important events affecting the Company occurred after December 31, 2018 and up to the date of this annual report.

Environmental Policies and Performance

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

Public Float

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

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

REPORT OF THE DIRECTORS

Closure of Register of Members

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, May 14, 2019 to Friday, May 17, 2019 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 10, 2019.

Compliance with the Relevant Laws and Regulations

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

By the order of the Board

Andy Xuan Zhang

Chairman

March 19, 2019



CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

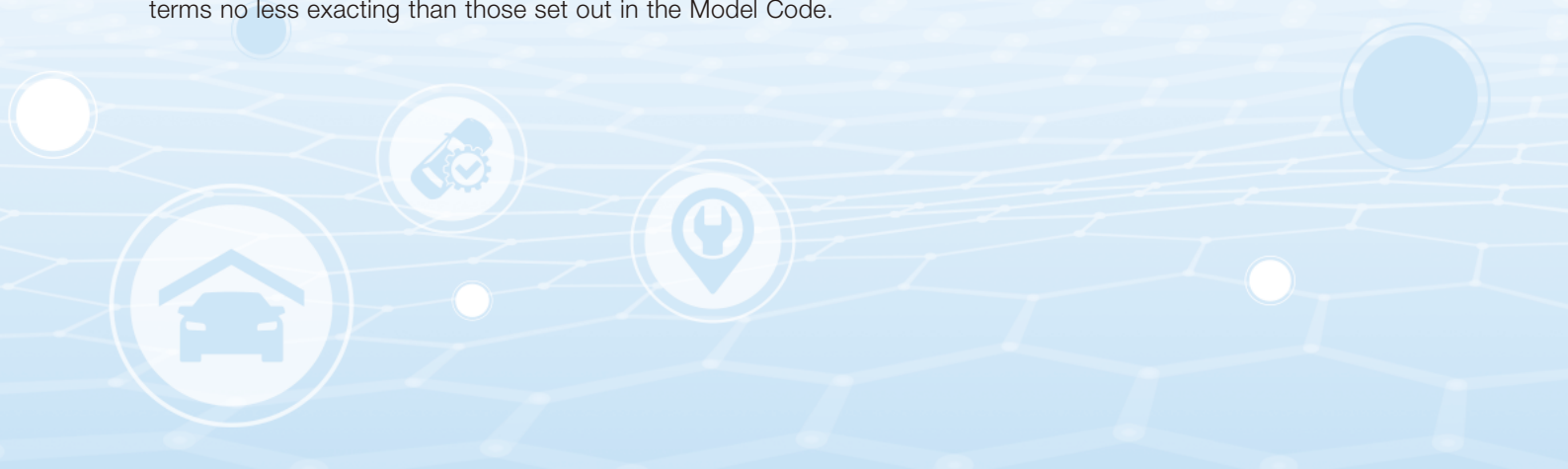
The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

The Company adopted the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. In the opinion of the Directors, throughout the year ended December 31, 2018, the Company has complied with all applicable code provisions set out in the CG Code, save and except for code provision A.2.1 which state that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details of the deviation are set out in the sections headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

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

Directors' Securities Transactions

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



CORPORATE GOVERNANCE REPORT

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealing Code throughout the year ended December 31, 2018.

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

Board of Directors

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

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

Board composition

The Board currently comprises nine members as follows:

Executive Directors: Mr. Andy Xuan Zhang (*Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee*)
Mr. Dong Jiang (*President*)

Non-executive Directors: Mr. James Gordon Mitchell
Mr. Jimmy Chi Ming Lai
Mr. Chenkai Ling
Mr. Xuyang Zhang

Independent Non-executive Directors: Mr. Tin Fan Yuen (*Chairman of the Remuneration Committee and Member of the Audit Committee*)
Mr. Chester Tun Ho Kwok (*Chairman of the Audit Committee and Member of the Nomination Committee*)
Ms. Lily Li Dong (*Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*)

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

During the year ended December 31, 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Terms of Directors and Re-election of Directors

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

CORPORATE GOVERNANCE REPORT

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

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

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

Responsibilities and Accountabilities of the Directors

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

82

Continuous Professional Development of Directors

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

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

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



CORPORATE GOVERNANCE REPORT

Board Committees

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

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

Audit Committee

The main duties of the Audit Committee include:

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

During the Reporting Period, the Audit Committee met 4 times with all members of the committee attended. The Audit Committee's work performed during the year including: reviewed the Company's annual financial results and annual report for the year ended December 31, 2017 and the interim results and interim report for the six months ended June 30, 2018, the significant issues on the financial reporting, operational and compliance matters, risk management and internal control systems and internal audit function, terms of engagement and remuneration of external auditor, connected transactions and arrangements for employees to raise concerns about possible improprieties.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The primary functions of the Remuneration Committee include:

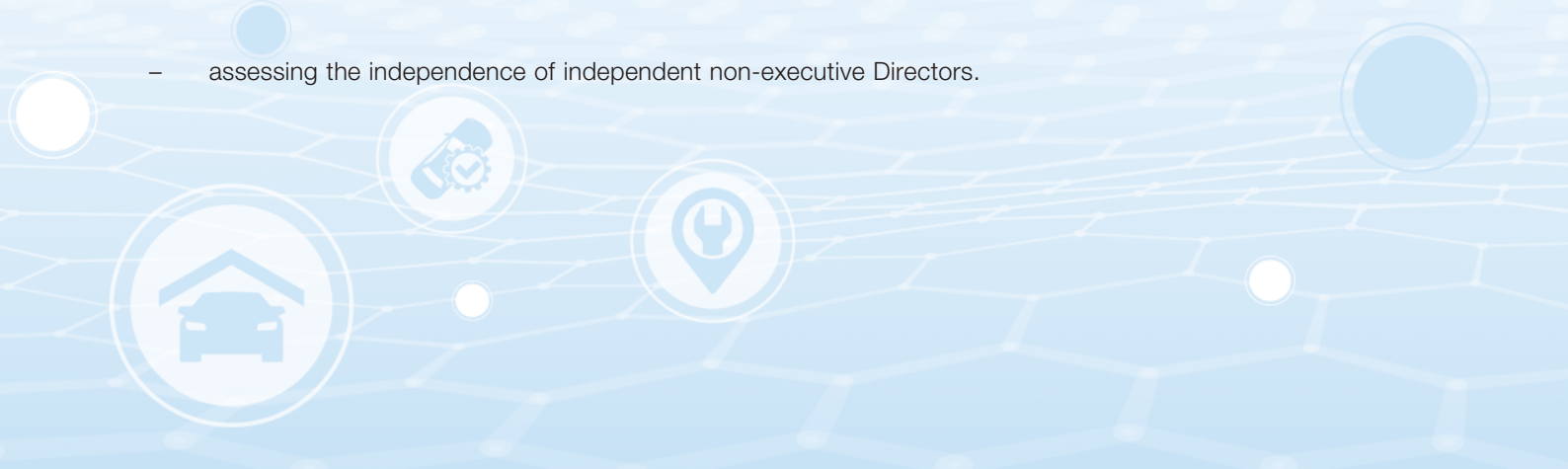
- reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- reviewing and make recommendations to the Board on the remuneration of the non-executive Directors;
- reviewing and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and
- establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

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

Nomination Committee

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- developing and formulating relevant procedures for the nomination and appointment of Directors;
- making recommendations to the Board on the appointment and succession planning of Directors; and
- assessing the independence of independent non-executive Directors.



CORPORATE GOVERNANCE REPORT

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

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

On December 31, 2018, the Company revised the board diversity policy (the "**Diversity Policy**") in accordance with Rule 13.92 of the Listing Rules, which sets out the approach to achieve diversity of the Board.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

On December 31, 2018, the Company also adopted a nomination policy (the "**Nomination Policy**") in accordance with the CG Code, which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations. The Nomination Policy is reproduced as follows.

NOMINATION POLICY

1. Objective

- 1.1 The nomination committee (the "**Nomination Committee**") of Yixin Group Limited (the "**Company**") shall identify, consider and nominate suitable individuals to the board (the "**Board**") of directors (the "**Directors**") to consider and to make recommendations to the shareholders of the Company (the "**Shareholders**") for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.
- 1.2 The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (the "**Succession Planning**") for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.
- 1.3 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.
- 1.4 The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

CORPORATE GOVERNANCE REPORT

2. Selection Criteria

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

- Reputation for integrity;
- Professional qualifications and skills;
- Accomplishment and experience in the automobile retail transaction and financing markets;
- Commitment in respect of available time and relevant contribution;
- Independence of proposed independent non-executive Directors; and
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

3. Nomination Procedures

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

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

CORPORATE GOVERNANCE REPORT

- 3.3 The candidate nominated by the Board to stand for election at a general meeting (the “**Board Candidate**”, together with the Shareholder Candidate defined in paragraph 3.6 below, the “**Candidate**”) will submit the necessary personal information, together with his/her written consent to be elected as a Director and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The Nomination Committee may request the Board Candidate to provide additional information and documents, if considered necessary.
- 3.4 A circular will be sent to the Shareholders (the “**Shareholder Circular**”) as to provide information of the Board Candidate, and to invite nominations from the Shareholders. The Shareholder Circular will include (i) the period for lodgment (the “**Lodgment Period**”) of nominations by the Shareholders; (ii) the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration.
- 3.5 Until the issue of the Shareholder Circular, the Board Candidate shall not assume that he/she has been nominated by the Board to stand for election at the general meeting.
- 3.6 A Shareholder can serve a notice (the “**Notice**”) to the Company Secretary within the Lodgment Period to propose a resolution to elect another person (the “**Shareholder Candidate**”) other than the Board Candidate as a Director. The Notice (i) must include the personal information of the Shareholder Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Shareholder Candidate indicating his/her consent to be elected and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The particulars of the Shareholder Candidate will be sent to the Shareholders for information by a supplementary circular.
- 3.7 The Candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.
- 3.8 The resolution for election of Directors for the Shareholder Candidate shall take the same form as for the Board Candidate.

CORPORATE GOVERNANCE REPORT

4. Succession Planning

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

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

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

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

5. Confidentiality

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

CORPORATE GOVERNANCE REPORT

6. **Monitoring and Reporting**

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

7. **Review of the Nomination Policy**

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

During the Reporting Period, the Nomination Committee met once with all members of the committee attended to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the directors standing for re-election at the annual general meeting of the Company held in 2018.

Corporate Governance Functions

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

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



CORPORATE GOVERNANCE REPORT

Board Meetings

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Andy Xuan Zhang	6/6	N/A	1/1	1/1	1/1
Mr. Dong Jiang	6/6	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. James Gordon Mitchell	6/6	N/A	N/A	N/A	1/1
Mr. Jimmy Chi Ming Lai	6/6	N/A	N/A	N/A	1/1
Mr. Chenkai Ling	6/6	N/A	N/A	N/A	1/1
Mr. Xuyang Zhang	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Tin Fan Yuen	6/6	4/4	1/1	N/A	0/1
Mr. Chester Tun Ho Kwok	6/6	4/4	N/A	1/1	1/1
Ms. Lily Li Dong	6/6	4/4	1/1	1/1	1/1

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

CORPORATE GOVERNANCE REPORT

Dividend Policy

On December 31, 2018, the Company adopted a dividend policy (the “**Dividend Policy**”) in accordance with the CG Code, which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders. The Dividend Policy is reproduced as follows.

DIVIDEND POLICY

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

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

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

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

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Disclosure of Inside Information

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

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

Risk Management

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

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

- Business and functional departments identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit department;
- The internal audit department collects and analyses the significant risks at the company level, and provides input on risk response strategies and control measures for such risks. These significant risks as well as the corresponding risk responses and control measures will be reviewed by senior management and subsequently by the Audit Committee before reporting to the Board;
- The internal audit department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and
- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which includes designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

CORPORATE GOVERNANCE REPORT

Internal Control

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

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

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

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

Effectiveness of Risk Management and Internal Control

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

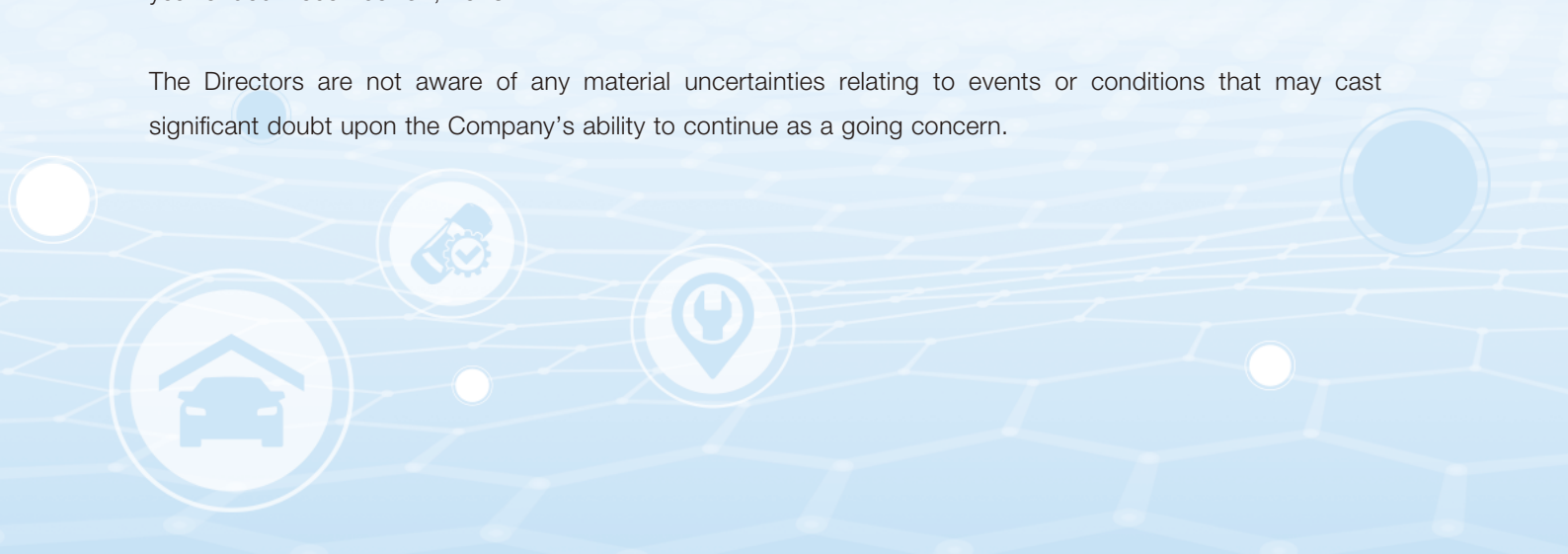
The Board, as supported by the Audit Committee as well as the management report and the internal audit findings by the internal audit department, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered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

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

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2018.

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



CORPORATE GOVERNANCE REPORT

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

Relationship with Controlling Shareholders

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

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

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

Auditor’s Remuneration

The remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the year ended December 31, 2018 is set out below:

Service Category	Fees Paid/Payable	
	2018 RMB'000	2017 RMB'000
Audit Services	4,257	3,515
Non-audit Services	1,613	1,443
Total	5,870	4,958

CORPORATE GOVERNANCE REPORT

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

Company Secretary

The selection, appointment and dismissal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association and CG Code. Ms. Ling Lung Siy of Tricor Services Limited, external service provider, was the Company Secretary until March 14, 2018. Ms. Siy’s primary contact person in the Company was Ms. Xiaozheng Liu, the Company’s Chief Financial Officer. Following the resignation of Ms. Siy as the Company Secretary on March 15, 2018, Mr. Man Wah Cheng was appointed as the Company Secretary on the same day. Mr. Man Wah Cheng, is an employee of the Company. The Company Secretary is responsible for facilitating the Board’s processes and communications among Board members, with the Shareholders and with the management of the Company. All Directors should have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations, are followed.

According to Rule 3.29 of the Listing Rules, Mr. Man Wah Cheng has taken no less than 15 hours of the relevant professional training during the year ended December 31, 2018.

Shareholders’ Rights

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

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

CORPORATE GOVERNANCE REPORT

Right to Call an Extraordinary General Meeting by Shareholders

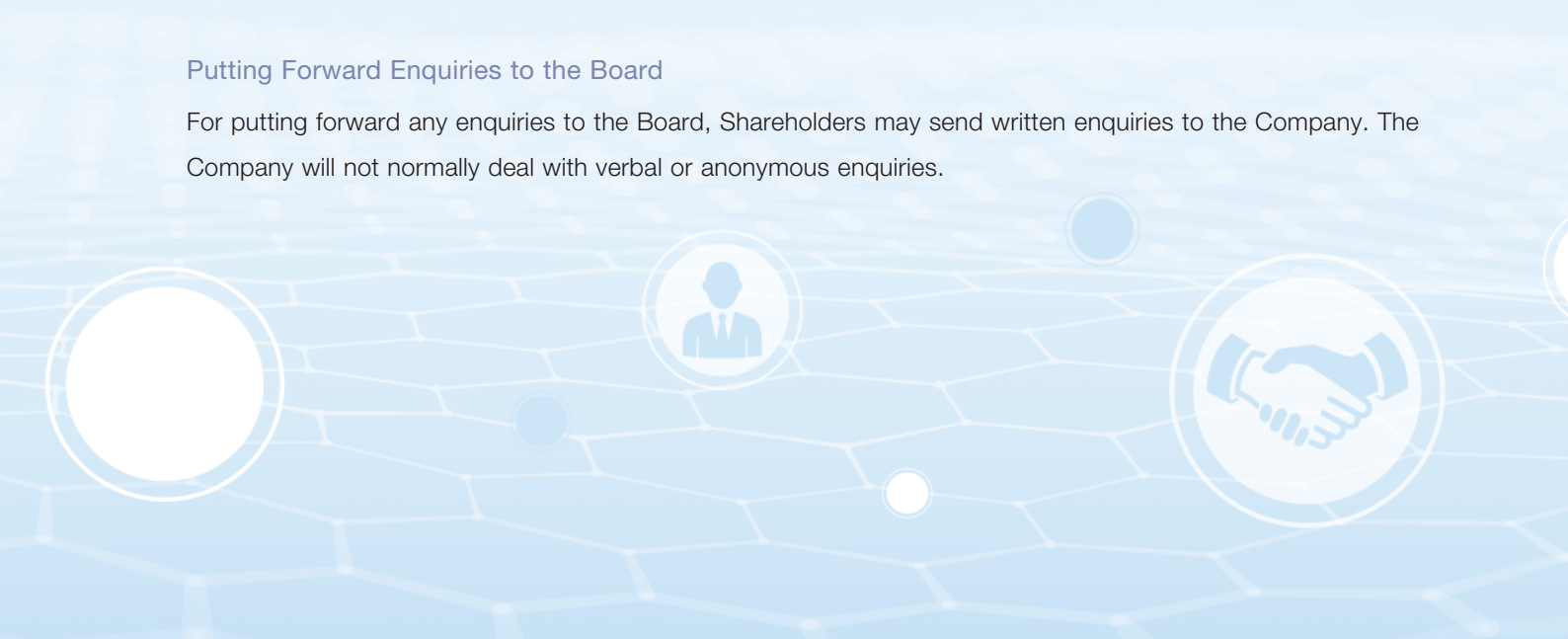
Pursuant to Article 12.3 of the Articles of Association, general meetings shall be convened on the written requisition of any two or more members, or by any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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



CORPORATE GOVERNANCE REPORT

Contact Details

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

Address: 12th Floor, No. 3 Building
Lujiazui Century Financial Plaza
799 South Yanggao Road
Pudong New District
Shanghai 200127
PRC

For the attention of the Head of Investor Relations

Email: ir@yixincars.com

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

Computershare Hong Kong Investor Services Limited

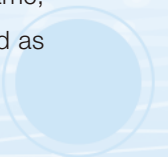
Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
(for change of name or address, loss of Share certificates)

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai,
Hong Kong (for transfer of Shares)

Telephone: (852) 2862 8628

Facsimile: (852) 2865 0990/2529 6087

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



CORPORATE GOVERNANCE REPORT

Investor Relations

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

During the year ended December 31, 2018, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Memorandum and Articles of Association is available on the websites of the Company (www.yixincars.com) and the Stock Exchange (www.hkexnews.hk).



ESG REPORT

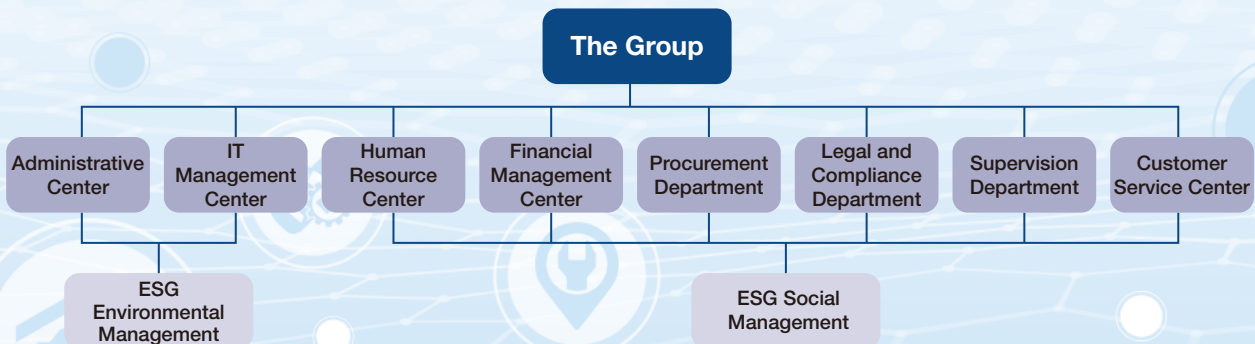
About This ESG Report

This is the ESG report for the financial year 2018 prepared by Yixin Group Limited (“Yixin Group”, the “Group”, the “Company”, “we”, “us”, or “our”) for publication in compliance with the ESG Reporting Guide contained in Appendix 27 to the Listing Rules of the Hong Kong Stock Exchange. It includes the overall ESG performance of the Company from January 1, 2018 to December 31, 2018. We suggest that this report should be read in conjunction with the section headed “Corporate Governance Report” in the annual report. Unless otherwise stated, the scope of this report includes the operating units of Yixin Group Limited and its subsidiaries in mainland China.

ESG Management Philosophy and Materiality Analysis

While creating economic value for the society and Shareholders, the Group has established and strengthened a business system which covers consumers, automakers, auto dealers, auto financing partners and aftermarket service providers based on our online automobile financed transaction platform in order to provide convenience to consumers for automobile transactions and throughout automobiles’ life cycles.

In 2018, we further strengthened the ESG management system of the Group by establishing an environmental, social and governance committee which is responsible for reviewing and monitoring the Group’s environmental, social responsibility and corporate governance policies and practices to ensure compliance with the relevant legal and regulatory requirements, monitoring and responding to emerging environmental, social responsibility and corporate governance issues and making recommendations to the Board where appropriate to improve the Group’s environmental, social responsibility and corporate governance performance. In addition, we specified and refined ESG management responsibilities of all departments. As part of our business development strategies, we continued to enhance our ESG management and improved our ESG management organisation structure in compliance with the ESG information disclosure compliance requirements of the Hong Kong Stock Exchange.



We acknowledge the importance of feedback from stakeholders (including our Shareholders and investors, government and regulatory authorities, our employees, suppliers, customers, business partners, the community and public) regarding our environmental, social and governance performance. Therefore, we have established effective communication channels for stakeholders. Major stakeholders and their communication channels include (but not limiting to) the followings:

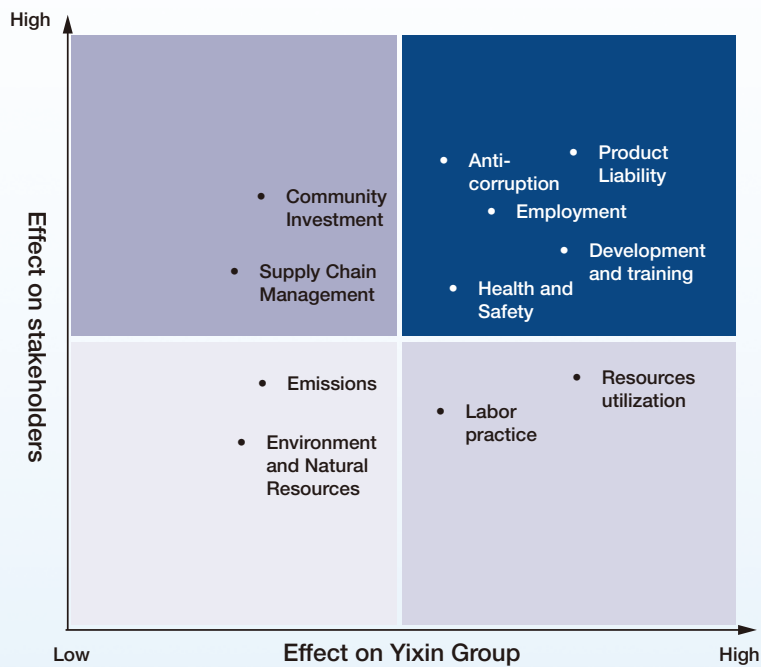
Summary of major communication channels and concerns of stakeholders of the Group

Stakeholder	Major communication channel	Major concern
Government and regulatory authorities	Major meetings, policy consultations, incident reports, institutional visits, information disclosure	<ul style="list-style-type: none"> • Compliance operation • Corporate governance • Environmental management
Shareholders and investors	Investor seminars, corporate announcements and circulars, investor relations columns in our official website	<ul style="list-style-type: none"> • Profitability • Operation strategy • Information disclosure transparency
Employees	Meetings, officers, activities	<ul style="list-style-type: none"> • Employee compensation and benefits • Development and training opportunities • Healthy work environment
Suppliers	Phone calls, conferences, mails, site visit	<ul style="list-style-type: none"> • Cooperation on fair terms • Integrity
Customers	Customer complaint hotline, customer service center	<ul style="list-style-type: none"> • Quality services • Privacy protection
Business partners	Strategic cooperation, exchange and interaction	<ul style="list-style-type: none"> • Cooperation on fair terms • Integrity • Mutual development
Community and public	Charitable activities, community interactions, corporate recruitment seminars	<ul style="list-style-type: none"> • Community relations • Employment • Community investment and charitable activities



ESG REPORT

To better understand the major concerns of our corporate environmental, social and governance practices, the Group has concluded a materiality matrix for ESG key topics as the main focus of our reports and actions based on domestic and international industrial benchmarks by making reference to the analysis and suggestions from internal and external experts, recommendations from our management and the latest development of the industry.



Product Liability

We are committed to offering excellent customer experience with quality services and protecting the legal rights of customers with high integrity. Moreover, the Group has strengthened its management regarding the security of customers' information and fulfilled our corporate responsibilities on products and services.

Customer Service

Consumers' rights are always our core concern. We strictly abide by relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). We have implemented the customer service management system and continued to optimise our service procedures by collecting and responding to opinions from customers promptly to ensure premium customer experiences.

We have established various channels to collect customers' suggestions and feedbacks, which mainly include the customer service hotline at 4000-598-598 and feedbacks from branches and business partners. In 2018,

we also introduced self-service channels such as WeChat and automated phone system for customers' enquiry and related services in order to enhance their experience and diversify our communication channels with customers.

Furthermore, we have established an outstanding customer service team with standardized service procedures. The customer service team is responsible for lead conversion and customer service support, ensuring all complaints and feedbacks from customers are properly followed. We pay full attention to the demand from customers and handle the inquiries raised online in a timely manner. According to the statistics from our hotline, in 2018, 93% of the complaints and inquiries were directly solved online. Remaining complaints and inquiries which could not be solved online would be immediately filed as work orders and referred to the responsible departments. Then, relevant staff from such departments would liaise with the customers in a timely manner and report the results to the order handler by email. We value the opinions of our customers and put greatest efforts in solving their inquiries and claims.

Safeguarding Information Security

As a platform for exchanging, accessing and sharing information, information security is essential to our operation. Therefore, we have used our best endeavours to avoid information leakage through strict regulations, risk prevention measures and contingency measures to safeguard information security.

In respect of information security, we strictly comply with the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), the Information Security Technology – Personal Information Security Specification (《信息安全技術個人信息安全規範》) and other applicable laws and regulations. In addition to the implementation of Term of Service and Privacy Policy of Yixin Group (《易鑫集團服務條款與隱私政策》), we have also issued Administrative Measures on Extraction of Sensitive Data of Yixin Group (《易鑫集團敏感數據提取管理辦法》), so as to further safeguard customer information security.

Furthermore, in order to maintain stable development of information security organization of the Group and carry out various information security tasks smoothly, the Group has clearly divided duties and responsibilities for information security. Through strengthening information security management, the Group effectively controls its security risks. In accordance with National Standard GB/T22080-2008, we have established the Information Security Committee in 2018. The committee is led by our management and is responsible for reviewing mid to long-term plan and annual work plan in relation to information security, authorizing and approving tasks in relation to information system security, regularly reviewing and inspecting the effectiveness of existing security measures and the consistency of security configuration and security policy, and the implementation of security management system.

ESG REPORT

In 2018, the Group promoted the data leak prevention system within the whole group and established a security emergency response center to monitor and issue early-warning on the publication of sensitive data. The IT work order system was also put to service to approve applications for accessing sensitive data online. The approval efficiency has been enhanced and application approval records are maintained properly. We also continue to strengthen the security of customers' information in practice. Users are required to register with their authentic names and user data is under strict management. At the time of user registration, user alert and authorization options are available for setting the permission to collect customers' information. Partners are also required to obtain user information legally. From a technical perspective, we have modified the HyperText Transfer Protocol of our websites.

In order to spread the importance of information security and raise the anti-fraud awareness of the employees, the Group regularly pushed articles relating to the Introduction of Information Security (《信息安全意識漫談》) through WeChat in 2018 and 18 issues have been pushed. On June 1, 2018, which was the first anniversary of the promulgation of the Internet Security Law (《網絡安全法》), Nanfang Metropolis Daily examined 100 popular Apps and then issued a report titled 400 Days of Internet Security Law (《網安法400天》). We were praised in the report for our Users' Personal Information Protection and Authorization of Credit Inquiry System (《用戶個人信息保護與徵信查詢的授權書制度》).

Brand Management

Corporate brand is essential to enterprises. Therefore, we have attached great importance to brand management. In terms of laws and regulations, we strictly abide by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Interim Administrative Measures for Internet Advertisements (《互聯網廣告管理暫行辦法》). In order to prevent risks relating to advertising and publicity, we have formulated the Management System for Advertising and Publicity Compliance (《廣告宣傳合規管理制度》) based on the actual situation of the Group, which clearly stipulates and requires the details of contents to be released, so that the advertising and publicity of the Group will meet the requirements of laws and regulations.



While avoiding infringement of the trademark rights of others, we also actively take measures to prevent others from infringing the lawful rights and interests of the Group. In 2018, besides the work accomplished by the Legal and Compliance Department of the Group, inquiry channels, “National Enterprise Credit Information System (國家企業信用信息系)” and “Enterprise Check (企查查)” (“Tianyancha (天眼查)”), were adopted to expand the scope of monitoring. Meanwhile, we carried out inspection on infringement more frequently, and issued test report every half a month. When any infringement was identified, we took prompt actions such as notifying the infringing party in writing, reporting to the industry and commerce department or filing a lawsuit to protect the lawful rights and interests of the Company. In addition, we have also appointed a trademark manager responsible for the protection of key trademarks to ensure successful registration of relevant trademarks for the new products of Yixin. During the year, the research and development department developed a number of technology patents and carried out copyright and trademark protection of “Almond (杏仁)”, the animation image of the Group, in a timely manner.

Intellectual Property Protection

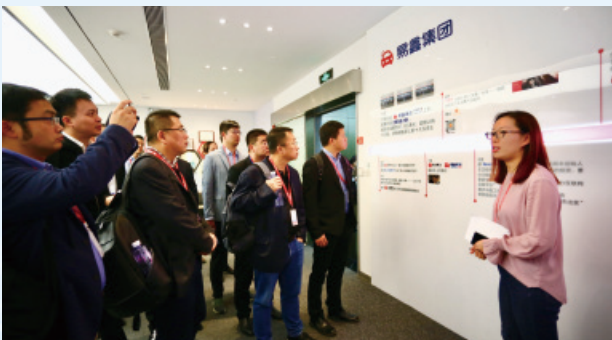
Intellectual property represents the core competitiveness strength of an enterprise. We are in strict compliance with laws and regulations relating to intellectual property, such as the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), and resolve intellectual property issues through cross-licensing or business cooperation in a positive manner.

To facilitate copyright protection, the Legal and Compliance Department of the Group has registered the copyrights of relevant software technologies owned by us. When an infringement incident is discovered, the Legal and Compliance Department will promptly investigate and collect evidence for the copyright infringement case with the cooperation of other departments. Upon preliminary examination, we will report the suspected infringement activities to the relevant authority for investigation and punishment, negotiate with the infringing party for compensation or file a lawsuit against the infringing party.

ESG REPORT

Promotion of Industry Development

We have taken initiatives to promote the development of the industry. In October 2018, we hosted a group visit organized by Rongyixue Institute of Finance (融易學金融學院) comprising nearly 30 peers engaging in finance lease. We launched a round-table discussion on the prospects of the automobile finance lease industry and the legalization of the industry under the theme of “Exploring New Trends of Automobile Finance Lease to Create a New Future (探索汽車金融「鑫」風向，共創行業新未來)”. Through discussions, we have gained deeper insights into the future development of the automobile finance lease industry.



Themed round-table discussion of “Exploring New Trends of Automobile Finance Lease to Create a New Future (探索汽車金融「鑫」風向，共創行業新未來)”

Caring for Employees

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

Employment and Labor Standards

Employees are our most valuable asset. We care about the development and health of our employees, and are committed to creating a working platform and environment that is fair, diversified and with emphasis on professional ethics for every employee. We stringently comply with relevant laws and regulations, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and Law of the People's Republic of China on the Protection of Women and Children's Rights and Interests (《中華人民共和國婦女兒童權益保護法》) to protect our employees' basic rights and interests. In 2018, in order to further improve the human resources management system, strengthen human resource management, standardize management operations and improve work efficiency, we actively promoted and updated a number of internal regulations and systems, such as the Employee Handbook, the Recruitment Management Measures, the Induction Management Measures, the Resignation Management Measures, the Probation Management Measures, the Attendance Management Measures, the Staff Subsidy Management Measures, the Transfer Management Measures and the Promotion Management Measures, which have institutionalized, standardized, and routinized human resources management work to ensure smooth operations.

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

ESG REPORT

Our campus recruitment has established a good reputation among teachers and students and is popular among students based on the previous successful experience. In 2018, we won awards such as “Influential Employer in Campus (校園影響力僱主)” and “Outstanding Talent Recruiter (先鋒人才官)”.



“Influential Employer in Campus (校園影響力僱主)”



“Outstanding Talent Recruiter (先鋒人才官)”

To attract talents, we offer competitive remuneration and various benefits to our employees. All employees of our Group are entitled to meal allowance, transportation allowance, travel allowance, as well as supplementary medical insurance benefits. In 2018, in order to enrich the forms of incentives for our employees, we granted stock-based compensation to certain employees. As for medical benefits, in order to improve the efficiency of reimbursement, we have adopted online submission of medical invoices to replace the collection of physical invoices, which have greatly shortened the process for more convenient and quicker medical reimbursement for employees.

To encourage sustainable advancement of employees, we have also established a comprehensive award system with project-based awards, department-based awards and annual awards at the Company level. Department-based awards are presented to employees who have contributed to satisfactory results or achieved outstanding performance in their respective departments. Project-based awards are presented by the Company or its departments to either a team or an individual employee who shows outstanding performance at a particular project, such as the selection of excellent team building project by the human resources center. Annual awards of the Company, comprising both team and individual-based rewards, represent the most authoritative and largest evaluation campaign of the Company participated by all teams and individual employees. The winners are selected by a panel consisting of representatives recommended by the management and employees and will be presented with the awards by the CEO at the annual party of the Company as a recognition of the contributions and devotions of our employees.

Besides honorary certificates, incentives are also presented to our employees to honour their achievements and encourage their continuous pursuit of excellence and innovation. We are willing to share the development outcomes of our Group with every employee by presenting various awards, including the special president award, honorary almond, best team leader award, best newcomer award and best team award. In 2018, we elected 140 honorary almonds based on the principles of Yixin culture to encourage employees with outstanding results and performance and to set up role models based on their achievements.

Employee Training and Development

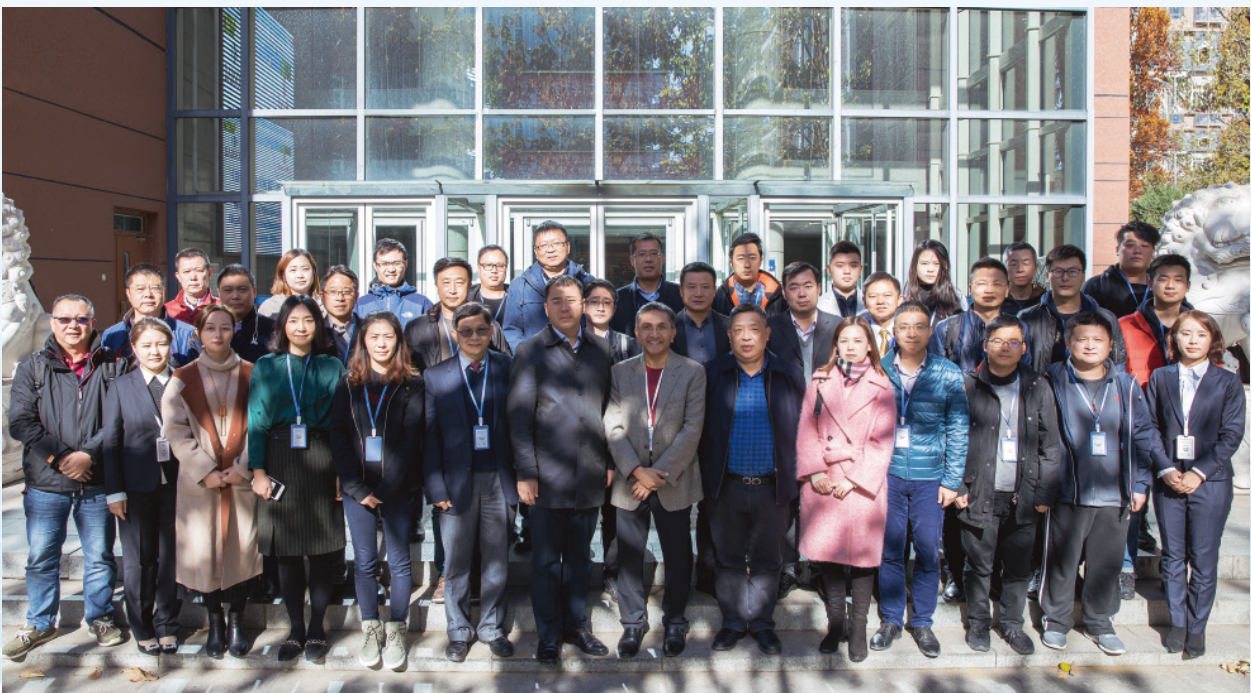
Our employee training system focuses on application skills and experiences of employees. The training program is designed based on various aspects including job duties, career development, expectation of leaders, learning approaches, training objectives and practices, aiming to facilitate our employees to participate and gain different experiences throughout the whole training process. We have developed a comprehensive training system covering different levels pursuant to the characteristics of the Group. We have also developed innovative channels such as online learning courses and live broadcast learning courses by making use of internet resources in order to improve the effectiveness and efficiency of our training resources which make learning easier and more interesting for employees. We have established a comprehensive talent development system consisting of Yixin university (易鑫大學), Xin lecturers (鑫講師) and mentorship program which offers basic trainings for different aspects and levels. Our training programs cover the entire career of employees, including “Everyone can be CEO (人人都是CEO)” for senior management, management training project for middle-level management, “Stepping up to management” (新經理成長地圖訓練營) for elementary-level management and freshmen program for new staff.

ESG REPORT

In respect of training for senior management, the Group tailor-made programs for senior management including corporate visits, courses and seminars to strengthen the leadership, management capabilities and strategic analytical skills of the senior management so that they will become high-quality corporate managerial officers. In respect of training programs for middle-level management, training camps and teaching courses are arranged to strengthen their execution, competence and professional skills in support of their career development, which in turn lay the foundation for our business development. For the training system of elementary-level employees, elementary-level employees participate in teamwork projects, teamwork building programs and business training programs to sharpen the working skills and generic skills of elementary-level employees.

Training Case 1: Innovation and Digital Transformation, a joint program with Babson College and Innoangel (百森英諾《創新與數字化轉型》培訓)

In 2018, the Group organized an advanced leadership training program, the “Innovation and Digital Transformation”, with Babson College and Innoangel. Advocating the idea of “Everyone can be a CEO” (人人都是CEO), the training program bestowed the strategic management approaches to enhance management influence with focus on promoting digital transformation and innovation culture through the studying of corporate strategies and future innovation trends.



Innovation and Digital Transformation, a joint program with Babson College and Innoangel
(百森英諾《創新與數字化轉型》培訓)

Training case 2: “Xin Power (鑫動力)” of 2018, an internal training program to exchange management experiences within Yixin Group

To refine our fundamental management philosophy and develop unique management approaches, the Group organized an internal training program themed “Xin Power (鑫動力)” in 2018, which consisted of four middle-level management topics to facilitate exchange of management experiences within the Group. These topics were widely spread within the Group, creating a management culture and language with Yixin characteristics.



“Xin Power (鑫動力)”, an internal training program to exchange management experiences within Yixin Group

ESG REPORT

Training case 3: Face-to-face training courses under “Xin Direction (鑫航向)” in 2018

To improve the generic competencies of employees, our internal course under “Xin Direction (鑫航向)” offered comprehensive training on working and thinking skills for all elementary-level employees in China. In 2018, over 40 face-to-face courses were held with more than 1,900 attendees. The wide coverage of these courses improved the basic working skills of our staff and created an excellent learning atmosphere within our Group.



Face-to-face training courses under “Xin Direction (鑫航向)” in 2018

Training case 4: Yixin University (易鑫大學)

On the basis of the former training culture division of the human resources center, the Group founded the “Yixin University (易鑫大學)” in June 2017 in order to establish a complete training system. Yixin University (易鑫大學) has three objectives, namely to develop a knowledge base of the Group, to cultivate and develop talents for the Group, and to create a learning ecosystem. In the employee training in 2018, Yixin University (易鑫大學) mainly put efforts in the construction and operation of an online learning platform, which organized and promoted learning programs to nurture talents for our operation. These programs have refined the training and development of our employees.

Health and Safety of Employees

The health and safety of employees are the foundation of our operation and the top concern in the management of the Group. It is our basic responsibility to protect the occupational health rights and interests of our employees. We strictly abide by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and Regulation on Work-related Injury Insurances (《工傷保險條例》), providing employees with corresponding protection of health and safety. We offer free clinical examination once a year to all of our employees. In addition to the social insurance contribution for our employees, we also provide them with additional medical insurance in order to improve their medical protection.

In order to enrich the cultural life of our employees, we have organized various cultural and sports activities and festival celebration activities so that our employees can relax themselves from busy and stressful work and improve their physical and mental health. In 2018, we held seminars on winter healthcare regimen for our employees and set up a massage center in our Shanghai office, so as to provide healthy working environment to our employees.

Activity Example 1: Sports activities for employees

In 2018, our employees participated in various cultural and sports activities organized by the Company. All participants worked up a great sweat on basketball courts and soccer fields. Besides strengthening their physical fitness, the participants also built strong team spirit with each other. Employees who were fond of Yoga or badminton might relax themselves after work and enrich their spare time through doing sports.



Sports activity for employees (Yoga)



Sports activity for employees (Basketball)

ESG REPORT

Activity Example 2: Festival Celebration

In 2018, the Group organized various fun-filled cultural activities, which not only enriched the cultural life of employees of Yixin, but also strengthened the interaction and communication between employees.



Mid-Autumn Festival activity of Yixin Group



Dragon Boat Festival activity of Yixin Group

Green Office

As a company focused on internet business, our Group mainly causes impacts to the environment due to the consumption of water, energy, corporate vehicles fuel and paper in our daily operation. In order to establish a green office, we have actively promoted the concepts of energy conservation, consumption reduction and lower carbon emission. The Group has strictly complied with applicable environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and implemented an energy saving and environmental friendly system to integrate the philosophy of low carbon emission and environmental protection into the operation and management process of the Company. Employees are encouraged to build up environmental friendly habits to save resources and minimize pollution. In addition, subsidiaries of Yixin Group are also committed to save energy and reduce consumption of eco-resources through various ways to achieve low-carbon operation. During the normal course of business operation, our Group does not have any material and adverse impact to the environment and natural resources.

In terms of reduction of power usage, the Group has formulated the Office Power Usage Management System (《辦公區用電管理制度》) and assigned specific personnel to manage office power usage, who shall carry out patrol regularly in order to check power usage of offices and turn off electrical appliances that are not in use. Setting of air conditioning is controlled so that room temperature will not below 26°C in summer or exceed 22°C in winter.

In order to reduce paper usage, the Group has set up a card reading system for all printers in 2018. All employees are requested to login when printing and printing records are maintained so to urge employees to be frugal when printing documents. Our printing system has been set up to print duplex by default to avoid unnecessary single-sided printing. In addition, paper recycling boxes are placed next to every printer to encourage employees using recycled papers in order to reduce paper consumption and paper wastage.

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

Environmental Performance Table

Emissions

Performance Indicators	2018 data
Total greenhouse gas emissions (Scope 1 and 2) (tonnes)	833.1
Per capita greenhouse gas emissions (tonnes/person)	0.199
Direct emissions (Scope 1) (tonnes)	
Corporate vehicle fuel consumption	54.7
Indirect emissions (Scope 2) (tonnes)	
Purchased Electricity	778.4
Hazardous wastes (tonnes)	0
Non-hazardous wastes (tonnes)	295.5
Per capita non-hazardous wastes (tonnes/person)	0.070

Notes:

- Due to its business nature, the significance air emissions of the Group are greenhouse gas emission derived from the use of electricity and fuels converted from fossil fuels.
- The inventory of greenhouse gases includes carbon dioxide, methane and nitrous oxide which are mainly generated from purchased electricity and fuels. GHG emissions data is presented in carbon dioxide equivalent and is based on the 2015 Baseline Emission Factors for Regional Power Grids in China (《2015 中國區域電網基準線排放因子》) issued by the National Development and Reform Commission of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (《2006 年IPCC國家溫室氣體清單指南》) issued by the Intergovernmental Panel on Climate Change (IPCC).

ESG REPORT

- 3 The types of hazardous wastes involved in the operation of the Group include discarded ink cartridges and waste lead-acid batteries from printing equipment. As the Group leased the printing services from a printing service provider who recycles ink cartridges, there was no waste ink cartridges in 2018. Since the warranty of lead-acid batteries remained valid, there was no waste lead-acid battery in 2018.
- 4 The types of harmless wastes involved in the operation of the Group include domestic wastes and waste electronic equipment of office buildings. The domestic wastes of office buildings are disposed of by a property management company of the office buildings and cannot be measured separately. The estimate is based on the Handbook on the Discharge Coefficient of Urban Domestic Pollution Sources under the First National Survey on Pollution Sources (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council. Since the warranty of electronic equipment remained valid, there was no waste electronic equipment in 2018.

Energy and Resources Consumption

Indicators	2018 data
Total energy consumption (MWh)	1,300.3
Energy consumption per square meter of gross floor area (MWh/square meter)	0.05
Per capita energy consumption (MWh/person)	0.31
Direct energy consumption (MWh)	
Corporate vehicle fuel consumption	223.7
Indirect energy consumption (MWh)	
Purchased Electricity	1,076.6
Water consumption (tonnes)	55,440.25
Per capita water consumption (tonnes/person)	13.23

Notes:

- 1 Consolidated energy consumption is calculated on the basis of the consumption of power and petroleum and the conversion factor set out in the General Principles of Consolidated Energy Consumption Calculation (GB/T 2589-2008) (《綜合能耗計算通則(GB/T 2589-2008)》), a national standard of the People's Republic of China.
- 2 The data for purchased electricity covers offices in Shanghai, Beijing, Shenzhen, Dalian, Changsha, Urumqi, Shijiazhuang, Changchun, Nanjing, Hohhot, Xi'an, Ningbo, Tianjin, Shenyang, Taiyuan, Wuxi, Xining, Qingdao, Zhengzhou, Suzhou, Jinan, Yinchuan, Chongqing, Kunming, Harbin, Yuncheng, Chengdu, Mianyang, Lanzhou, Guiyang, Zhumadian, Hefei, Wuhan, Nanchang, Fuzhou, Xiamen, Nanning, Guangzhou and Haikou. The offices in other areas have not been included in the statistics due to their insignificant scale, but may be included based on actual circumstances in the future. Electricity expenses of the data centers of the Group are included in the custody fees, so power consumption of data centre cannot be measured separately. Further discussion with regard to the measurement will be made with the custody firm in the future and the data will be included in the statistics once separate measurement is available.
- 3 Water consumed at the offices of the Group is supplied by municipal government and is controlled by the property management companies of the office buildings. Water expenses are included in the property management fees, and water consumption cannot be measured separately. The property management companies have put on water saving labels to encourage tenants to reduce water consumption. The estimate of water consumption is based on the Water Consumption Standard for Urban Residents (《城市居民生活用水量標準》) (GB/T 50331-2002), a national standard issued by the Ministry of Housing and Urban-rural Development.
- 4 Data for packaging materials is not applicable to the Group.

Supply-Chain Management and Anti-Corruption

Supply-chain management is an integral part of the normal operation of the Group. As for procurement management, we attach high emphasis on the environment and social risk portfolio of suppliers. In 2018, in response to the changes of our business needs, we further improved the procurement management system and procedures by revising the Procurement Management System of Yixin Group (《易鑫集团採購管理制度》). A procurement system has been launched to facilitate online approval of the whole procurement process under the principles of transparency, fairness and impartiality, which has accelerated the progress of procurement, realized standardized management of suppliers, simplified the approval procedures while maintaining stringent requirements and enhanced the procurement efficiency. In addition, all major steps of procurement can be tracked through system, which represents a significant milestone of informationalization of our supply-chain management.

In order to regulate the behaviors of suppliers, our procurement department implements the Sunshine Procurement Code (《陽光採購行為規範》) consistently and relevant trainings are arranged for the procurement staff. We strictly follow the principles of sunshine procurement during the procurement process. Prior to procurement, the procurement department shall provide the Sunshine Procurement Code for Suppliers (《供應商陽光採購行為規範》) to the bidding suppliers who must acknowledge the same with their signatures. In addition, the supervision department shall monitor the whole procurement process in accordance with relevant policies to prevent unlawful and non-compliance issues or corruption.

Furthermore, we strictly abide by relevant laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and Interim Provisions on Banning Commercial Bribery (《於禁止商業賄賂行為的暫行規定》). On top of the relevant anti-corruption management systems, we also raise the awareness of our employees on anti-corruption by exerting greater efforts in promotion, training and investigation, so as to create a corporate culture of honesty, progressiveness and integrity. The safety supervision department will actively examine and investigate suspected defects or abnormal data identified in daily process.

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

ESG REPORT

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

Community Investment

We are highly aware of our social responsibilities during our corporate development in addition to creating economic interests for ourselves and our Shareholders. We contribute to the society via investment in education to develop talent reserves for China and promote the advancement of our industry and the society. In 2018, we paid close attention to the development of automobile industry and drove the sustainable growth of the industry by cultivating the future talents.

Community Investment Activity Example 1: Formula Student Series in China

In 2017 and 2018, we participated in the charitable event, Formula Student Series in China, for two consecutive years as a sponsor in order to cultivate future talents and support the advancement of our industry.

- In 2018, we provided pit stops for the 66 racing teams and recruited university students from more than 10 colleges participating in the races as volunteers to provide charitable services for all teachers and students of the racing teams.
- We sponsored three racing teams from Xiamen University of Technology and Lushan College of Guangxi Science and Technology University through the Autoperson Development Foundation (汽車人發展基金). We intended to develop future talents for the auto industry by supporting colleges to build better racing teams through title sponsorship.
- Our management members took part in the racing activities, organized onsite seminars for the participating teachers and students in relation to the corporate demand for future talents, and participated as volunteers in charitable services of Yixin in order to interact with teachers and students of every racing team and express our Group's care and concern.



Formula Student Series in China

Community Investment Activity Example 2: Charitable Youth Camp of Yixin University

In March and August 2018, we have organized charitable youth camps for college students from different high schools specializing in automobiles to broaden their horizons through visiting different enterprises and interactions with industry leaders. The camps also helped them shape the correct values, objectives and career plans to engage in the automobile industry, which laid the foundation for development and cultivation of future talents of the automobile industry.



Charitable Youth Camp for College Students

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Yixin Group Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yixin Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 131 to 260, which comprise:

- the consolidated balance sheet as at December 31, 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

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

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

Independence

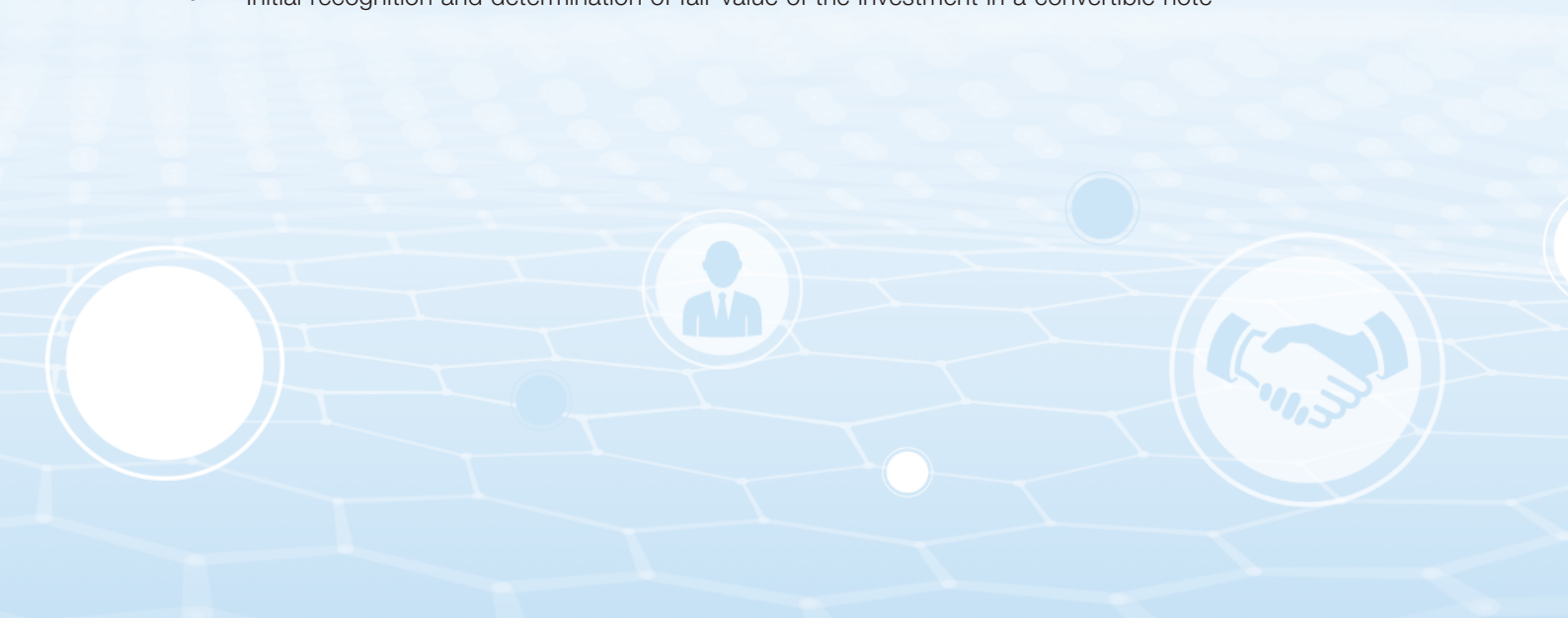
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

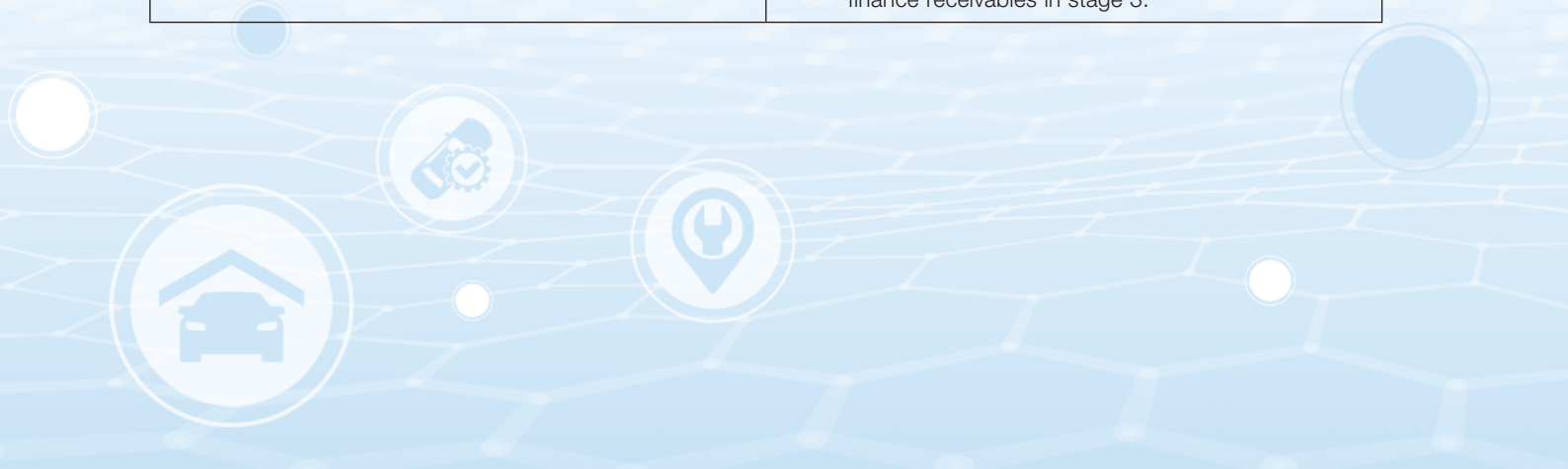
Key audit matters identified in our audit are summarized as follows:

- Provision for expected credit losses of finance receivables
- Initial recognition and determination of fair value of the investment in a convertible note



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Provision for expected credit losses of finance receivables</i></p> <p>Refer to note 4.1(c), note 7, and note 17 of the consolidated financial statements.</p> <p>As at December 31, 2018, the balance of finance receivables amounted to RMB36,818,989,000, after a provision for expected credit losses of RMB514,897,000. For the year ended December 31, 2018, provision for expected credit losses of finance receivables recorded in the consolidated income statement amounted to RMB496,714,000.</p> <p>The balance of provision for expected credit losses of finance receivables represents management's best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") model.</p> <p>The Group assesses whether the expected credit risk of finance receivables has increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL.</p>	<p><i>Our procedures in relation to the provision for expected credit losses of finance receivables included:</i></p> <p>Understanding and evaluating management's assessment process and controls</p> <ul style="list-style-type: none"> We understood and evaluated the controls over management's ECL model, including the selection, approval and application of modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the model; We evaluated the design and operating effectiveness of the internal controls relating to significant management judgments and assumptions, including the review and approval of parameters estimation, significant increase in credit risk, or of defaults or credit-impaired, forward-looking adjustments; We tested IT controls over the information systems which are used to maintain the completeness and accuracy of related contractual information with individual customers; We understood and evaluated the internal controls relating to estimated future cash flows and calculations of present values of such cash flows for finance receivables in stage 3.



INDEPENDENT AUDITOR'S REPORT

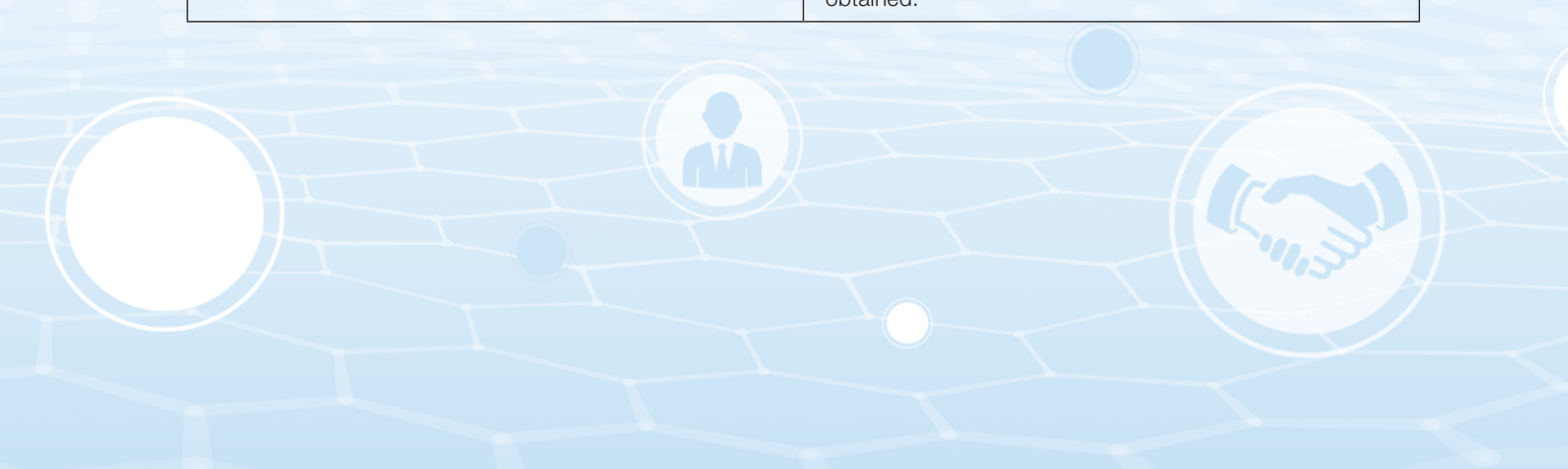
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The measurement model of expected credit losses involves significant management judgments and assumptions, primarily including the following:</p> <ol style="list-style-type: none"> (1) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; (2) Economic indicators for forward-looking measurements, and the application of economic scenarios and weightings; (3) The estimated future cash flows for finance receivables in stage 3. <p>For measuring expected credit losses, the Group adopted a complex model, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the finance receivables and provisions accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.</p>	<p>Substantive testing of the provision for expected credit losses</p> <ul style="list-style-type: none"> • We reviewed the modelling methodologies used for measuring the ECL measurement, and assessed the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model. We examined the coding for model measurement, to test whether or not the measurement model reflected the modelling methodologies documented by management; • We verified the financial information and non-financial information of the finance receivables, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired receivables; • For forward-looking measurements, we reviewed management's model analysis of their selection of economic indicators, economic scenarios and weightings, and assessed the reasonableness of the prediction of economic indicators, the application of economic scenarios and the setting of weightings; • We examined a sample of major data inputs to the ECL model to assess their accuracy and completeness. We verified the transmission of major data inputs between the model's measurement engines and the information systems, to verify their accuracy and completeness;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> We examined finance receivables in stage 3, on a sample basis, forecasted future cash flows prepared by the management based on financial information of latest collateral valuations and other available information in supporting the computation of provisions; We recalculated the provision for expected credit losses of finance receivables made by management utilizing IT audit techniques to assess the accuracy. <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for finance receivables, we found the model, key parameters, significant judgment and assumptions adopted by management and the measurement results were supportable in light of available evidences.</p>
<p><i>Initial recognition and determination of fair value of the investment in a convertible note</i></p> <p>Refer to note 4(a) and note 15 of the consolidated financial statements.</p> <p>The Company purchased a convertible note ("CB") of Yusheng Holdings Limited ("Yusheng") for the principal amount of US\$260,000,000 in year ended December 31, 2018.</p>	<p><i>Our procedures in relation to the initial recognition and determination of fair value of the convertible note included:</i></p> <ul style="list-style-type: none"> We reviewed the contracts relating to the subscription for the convertible note and assessed the underlying business substance; We evaluated the appropriateness of management's assessment of the contract terms and determination of the related accounting implications; We evaluated the independent external appraisal firm's competence, capability and objectivity;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Company recognized the CB as a financial assets at fair value through profit or loss, which is measured at its fair value upon when initial recognition.</p> <p>Management assessed and measured the CB using particular valuation techniques, with assistance from an external appraisal firm. The valuation process was highly judgmental due to its reliance on management's assumptions such as discount rate, volatility and probability weighting, liquidation and redemption scenarios, etc.</p> <p>The determination of the model adopted and key inputs required management's significant judgment or estimation. The prescribed value of the CB is significant to the financial statements. In view of this we have identified this as a key audit matter.</p>	<ul style="list-style-type: none"> • We assessed the appropriateness of the methodologies and key assumptions adopted by management including expected revenue growth rates, expected profit margins, discounted rates and volatility. We reconciled the input data of expected revenue growth rates and expected profit margins to management's forecast of future profits, strategic plans and business data. We compared the volatility and discounted rate with a comparable company in the open market to assess the reasonableness of the input data used; • We questioned management regarding its approach for determining the probability weighting, liquidation and redemption scenarios, including assessing and analyzing the weightings based on our understanding of the Yusheng's business and market condition; • We evaluated management's sensitivity analysis over the above key assumptions, to assess the estimation uncertainty in the accounting estimates related to the convertible note. <p>Based on the procedures performed, we found the judgments and estimates made by the Company for the initial recognition and determination of fair value of the convertible note were supported by the evidence we obtained.</p>



INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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



INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 19, 2019



CONSOLIDATED INCOME STATEMENT

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

The notes on pages 139 to 260 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 139 to 260 are an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED BALANCE SHEET

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

The notes on pages 139 to 260 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 131 to 260 were approved by the Board of Directors on March 19, 2019 and were signed on its behalf.

Andy Xuan Zhang
Director

Dong Jiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at December 31, 2017		4,080	34,409,418	797,646	(19,869,121)	15,342,023	—	15,342,023
Change in accounting policy	2.1.1	—	—	—	(139,755)	(139,755)	—	(139,755)
Balance at January 1, 2018		4,080	34,409,418	797,646	(20,008,876)	15,202,268	—	15,202,268
Comprehensive loss								
Loss for the year		—	—	—	(166,580)	(166,580)	—	(166,580)
Currency translation differences		—	—	37,196	—	37,196	—	37,196
Total comprehensive loss for the year		—	—	37,196	(166,580)	(129,384)	—	(129,384)
Transactions with owners in their capacity as owners								
Share-based compensation	8, 22, 23	—	—	348,826	—	348,826	—	348,826
Appropriation to statutory surplus reserve	22	—	—	13,738	(13,738)	—	—	—
Release of ordinary shares from Share Scheme Trusts	21, 22, 23	31	167,713	(167,300)	—	444	—	444
Shares issued upon exercise of employee share options	21, 22, 23	2	11,655	(11,626)	—	31	—	31
Vesting of restricted awarded shares	21, 22, 23	1	3,364	(6,147)	—	(2,782)	—	(2,782)
Purchase of restricted shares under share award scheme	22, 23	—	—	(1,585)	—	(1,585)	—	(1,585)
Total transactions with owners in their capacity as owners		34	182,732	175,906	(13,738)	344,934	—	344,934
Balance at December 31, 2018		4,114	34,592,150	1,010,748	(20,189,194)	15,417,818	—	15,417,818

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 139 to 260 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash used in operations	30	(4,082,030)	(15,481,176)
Income tax paid		(55,067)	(142,282)
Net cash used in operating activities		(4,137,097)	(15,623,458)
Cash flows from investing activities			
Interest received		33,735	50,257
Proceeds from disposal of property and equipment and intangible assets		64,492	413
Proceeds from the disposal of a subsidiary, net of cash disposed		—	9,448
Purchase of property and equipment		(28,817)	(50,129)
Purchase of intangible assets		(9,606)	(58,325)
Loans to a related party	32	—	(20,000)
Repayments from loans to a related party		1,000	—
Loans to third parties	19	(153,057)	—
Investments in financial assets at fair value through profit or loss	15	(286,445)	—
Payments for business combinations, net		—	(14,526)
Investment in an associate		—	(10,000)
Placements of restricted cash		(4,772,686)	(2,325,750)
Maturity of restricted cash		1,784,709	4,863,501
Net cash (used in)/generated from investing activities		(3,366,675)	2,444,889

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2018	2017
		RMB'000	RMB'000
Cash flows from financing activities			
Distribution to Bitauto in 2017 Reorganization		—	(98,855)
Proceeds from borrowings	30	39,761,458	33,880,806
Repayment of borrowings	30	(34,568,213)	(19,957,650)
Deposits for borrowings		(366,409)	(488,686)
Proceeds of loans from Bitauto Group	32(f)	1,589,393	1,294,053
Repayment of loans from Bitauto Group	32(f)	(700,000)	(1,702,629)
Proceeds from issuance of convertible redeemable preferred shares		—	1,064,819
Payment of issuance costs of convertible redeemable preferred shares	9	—	(14,318)
Proceeds from issuance of ordinary shares relating to the initial public offering	21	—	5,744,330
Payment of issuance cost of ordinary shares relating to the initial public offering	21	(13,516)	(215,575)
Proceeds from exercise of share options		2,434	1,074
Purchase of restricted shares under share award scheme		(4,367)	—
Interest paid		(1,917,044)	(1,083,160)
Net cash generated from financing activities		3,783,736	18,424,209
Net (decrease)/increase in cash and cash equivalents		(3,720,036)	5,245,640
Cash and cash equivalents at beginning of the year		5,824,706	660,852
Exchange gains/(losses) on cash and cash equivalents		11,527	(81,786)
Cash and cash equivalents at end of the year		2,116,197	5,824,706

The notes on pages 139 to 260 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation

1.1 General information

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

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

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

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

The Group’s major subsidiaries are based in the PRC and the majority of their transactions are denominated in Renminbi (“RMB”). The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange controls promulgated by the PRC government. As at December 31, 2018, other than restrictions from exchange control regulations, there is no significant restriction on the Group’s ability to access or use the assets and settle the liabilities of the Group (2017: nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation (continued)

1.1 General information (continued)

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

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

1.2 History and reorganization of the Group

History of the Group’s Transaction Platform Business

The Group’s Transaction Platform Business was comprised of the Auto Finance Transaction Business and Used Automobile Transaction Business (both as defined below) for the years ended December 31, 2018 and 2017.

Before the incorporation of the Company and Beijing Yixin (as defined below), the auto finance transaction business (“Auto Finance Transaction Business”), which mainly offers advertising and subscription services to banks and auto finance companies, was carried out by the auto finance department (the “Auto Finance Department”) of Bitauto Group, which was established in December 2013 as a business unit across two wholly-owned subsidiaries of Bitauto, namely Beijing Bitauto Internet Information Co., Ltd. (established on January 20, 2006) and Beijing Bitauto Interactive Advertising Co., Ltd. (established on December 12, 2007). The used automobile transaction business (“Used Automobile Transaction Business”), which mainly offers transaction facilitation services for used automobiles and advertising and subscription services to automakers and auto dealers, was carried out by Beijing Xinbao Information Technology Co., Ltd. (“Beijing Xinbao”), established on February 2, 2008 and KKC Holdings Limited and its subsidiaries (“KKC”), of which Bitauto Group acquired the majority equity interest in November 2016.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

History of the Group's Transaction Platform Business (continued)

For the purpose of carrying out the Auto Finance Transaction Business and expanding service offerings, Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司, "Beijing Yixin") was established on January 9, 2015 by Mr. Bin Li, the founder and shareholder of Bitauto, Shenzhen Tencent Industry Investment Fund Co., Ltd., an entity designated by Tencent Holdings Limited and Beijing Jiasheng Investment Management Co., Ltd., an entity designated by JD.com, Inc. (collectively referred to as the "equity holders of Beijing Yixin"). The Auto Finance Transaction Business was mainly carried out by Beijing Yixin since then. Pursuant to a series of contractual agreements dated February 15, 2015 and April 20, 2015 among (i) Beijing Yixin, (ii) Shanghai Techuang Advertisements Co., Ltd. ("Shanghai Techuang"), a wholly-owned subsidiary incorporated by Yixin Holding Hong Kong Limited ("Yixin HK"), a subsidiary of the Company, and (iii) the equity holders of Beijing Yixin, which were subsequently amended on June 27, 2017 upon Mr. Bo Han becoming a shareholder of Beijing Yixin in the place of Mr. Bin Li (collectively referred to as the "Old Contractual Arrangements"), Shanghai Techuang is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Beijing Yixin. Accordingly, Beijing Yixin is treated as a controlled structured entity of the Company and is consolidated by the Company.

On August 10, 2017, Beijing Yixin, Shanghai Techuang, the equity holders of Beijing Yixin and Beijing KKC Technology Co., Ltd. ("Beijing KKC"), a wholly-owned subsidiary of Yixin HK, entered into a series of agreements, pursuant to which (i) the Old Contractual Arrangements were terminated, (ii) the pledge arrangements between the equity holders of Beijing Yixin, Beijing Yixin and Shanghai Techuang were released and deregistered, (iii) the equity holders of Beijing Yixin, Beijing Yixin and Beijing KKC entered into a series of new contractual agreements ("KKC Contractual Arrangements") dated August 10, 2017, through which Beijing KKC is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Beijing Yixin. Beijing Yixin continues to be treated as a controlled structured entity of the Company and consolidated by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

History of the Group's Transaction Platform Business (continued)

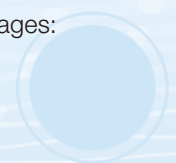
On October 4, 2018, Beijing Yixin, Beijing KKC, the equity holders of Beijing Yixin and Tianjin Kars Information Technology Co., Ltd. ("Tianjin Kars"), a wholly-owned subsidiary of the Company, entered into a series of agreements, pursuant to which (i) the KKC Contractual Arrangements were terminated, (ii) the pledge arrangements between the equity holders of Beijing Yixin, Beijing Yixin and Beijing KKC were released and deregistered, (iii) one of the equity holders of Beijing Yixin, Mr. Bo Han, was changed to Tianjin Jushen Information Technology Co., Ltd, (iv) the new equity holders of Beijing Yixin, Beijing Yixin and Tianjin Kars entered into a series of new Contractual Agreements dated October 4, 2018, through which Tianjin Kars is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of Beijing Yixin. Beijing Yixin continues to be treated as a controlled structured entity of the Company and consolidated by the Company.

History of the Group's Self-operated Financing Business

For the purpose of carrying out the Self-operated Financing Business, Shanghai Yixin Financing Lease Co., Ltd. (上海易鑫融資租賃有限公司, "Shanghai Yixin") was established on August 12, 2014 by Bitauto HK, a wholly-owned subsidiary of Bitauto. Through the Group's reorganization in 2015 (as described below), Shanghai Yixin became a wholly-owned subsidiary of Yixin HK.

For the further expansion of the Self-operated Financing Business, Xince Investment (Shanghai) Co., Ltd. (鑫車投資(上海)有限公司, "Xince Investment"), which was formerly known as Shanghai Rongche Information Technology Co., Ltd., was established on January 16, 2015 by Yixin HK.

The Group underwent two Group reorganizations in 2015 and 2017, respectively (the "2015 Reorganization" and "2017 Reorganization", and collectively the "Reorganizations") to establish the Company as the ultimate holding company. The Reorganizations mainly involved the following stages:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

2015 Reorganization

On February 16, 2015, the Company issued (a) 13,499,896 ordinary shares to Bitauto HK, in exchange for the Auto Finance Transaction Business rendered by Bitauto Group's Auto Finance Department, and (b) 11,534,156 series A preferred shares to Bitauto HK, in exchange for (1) US\$100 million in cash and (2) 100% of the equity interests in Shanghai Yixin. Bitauto Group also agreed to direct all online enquiries regarding automobile financing lease and automobile financing services and products arising from Bitauto Group's websites to the Group (the "2015 Traffic Support Services"). The traffic support services are provided free of charge for a term of 3 years commencing from February 16, 2015.

2017 Reorganization

On May 26, 2017, the Company issued 70,934,920 series C preferred shares to Bitauto, and 4,299,090 series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group's non-compete undertakings ("Non-compete Undertakings") in relation to the used automobile-related business, and (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business (the "2017 Traffic Support Services") for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database ("Automobile Model Database") for 20 years.

The 2015 Traffic Support Services, 2017 Traffic Support Services, Non-compete Undertakings, and Automobile Model Database are collectively referred to as the "Business Cooperation Agreements", and are recognized as intangible assets at fair value at the date of acquisition (Note 13).

The companies now comprising the Group were under common control of the Controlling Shareholders, immediately before and after the Reorganizations. Accordingly, the Reorganizations are regarded as business combinations under common control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

2017 Reorganization (continued)

The consolidated financial statements of the Company has been prepared by including the financial information of the companies, including the business carried out by Auto Finance Department of Bitauto Group, which were under the common control of the Controlling Shareholders immediately before and after the Reorganizations and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the group companies first came under the control of the Controlling Shareholders, whichever is a shorter period.

The net assets of the group companies were consolidated using the existing book values from the Controlling Shareholders' perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Upon completion of the Reorganizations, the Company became the ultimate holding company of the companies now comprising the Group. Following the completion of the Reorganizations, the Group established additional subsidiaries for business development.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing on January 1, 2018:

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

The group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15, see Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

The following accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group:

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation — Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019
Plan Amendment, Curtailment or Settlement — Amendments to IAS 19	1 January 2019
Sale or contribution of assets between an investor and its associate or joint venture — Amendments to IFRS 10 and IAS 28	Not determined

Out of these accounting standards and interpretations, the Group's assessment of the impact of these new standards and interpretations that are applicable to the Group is set out below:

IFRS 16, "Leases"

Nature of change

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 16, "Leases" (continued)

Impact

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

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB138,788,000, see Note 31(b). Of these commitments, short-term leases and low-value leases will be recognised on a straight-line basis as an expense in profit or loss. For the remaining lease commitments the Group expects to recognise right-of-use assets and lease liabilities on January 1, 2019 respectively.

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

Date of adoption by the Group

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

2.2.1 IFRS 9 Financial Instruments

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

The adoption of IFRS 9 “Financial Instruments” from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The impact of adopting IFRS 9 is set out in Note 2.2.1(a) and (b), and the new accounting policies are set out in Note 2.10 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(a) *Impact on the financial statements*

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group has not entered into any hedging arrangements for the year ended December 31, 2018. The adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at December 31, 2017, but are recognised in the opening consolidated balance sheet on January 1, 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

2.2.1 IFRS 9 Financial Instruments (continued)

(a) Impact on the financial statements (continued)

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

Consolidated balance sheet (extract)	December 31,	IFRS 9	January 1,
	2017		2018
	RMB'000	RMB'000	RMB'000
Non-current assets			
Finance receivables	16,537,890	(96,339)	16,441,551
Deferred income tax assets (Note 27)	48,293	46,585	94,878
	21,861,254	(49,754)	21,811,500
Current assets			
Finance receivables	13,374,932	(90,001)	13,284,931
	21,005,233	(90,001)	20,915,232
Total assets	42,866,487	(139,755)	42,726,732
Equity attributable to owners of the Company			
Accumulated losses	(19,869,121)	(139,755)	(20,008,876)
	15,342,023	(139,755)	15,202,268
Non-controlling interests	—	—	—
Total equity	15,342,023	(139,755)	15,202,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

2.2.1 IFRS 9 Financial Instruments (continued)

(b) IFRS 9 Financial Instruments — Impact of adoption

(i) Classification and measurement

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

(ii) Impairment of financial assets

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

- finance receivables
- trade receivables
- other receivables

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the tables in Note 3.1(b).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

2.2.2 IFRS 15 Revenue from Contracts with Customers

(a) *IFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules under the modified retrospective approach and the comparatives figures have not been restated.

IFRS 15 establishes a new framework for revenue recognition. This replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time. The new standard also sets out new capitalisation criteria for contract acquisition costs which are incremental and the entity is expected to recover them.

Impact on adoption

Considering the nature of the Group’s principal activities, the adoption of IFRS 15 does not have a material impact on the timing and amounts of revenue recognized by of the Group.

Accounting for costs to fulfil a contract

The costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered. They were therefore capitalised as costs to fulfil a contract under IAS 18 Revenue and following the adoption of IFRS 15 and included in assets in the consolidated balance sheet. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Based on the Group assessment, the impact of accounting for cost to fulfil the contracts is not material to the opening balance of January 1, 2018 nor the year ended December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 Consolidation

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

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

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

(a) Subsidiaries controlled through Contractual Agreements

As described in Note 1, the wholly-owned subsidiary of the Company, Tianjin Kars, has entered into the Contractual Agreements, including Exclusive Business Cooperation Agreement, Exclusive Option Agreements, Equity Pledge Agreements, and Powers of Attorney, with Beijing Yixin and its equity holders, which enable Tianjin Kars and the Group to:

- govern the financial and operating policies of Beijing Yixin;
- exercise equity holders' voting rights of Beijing Yixin;
- receive substantially all of the economic interest returns generated by Beijing Yixin in consideration for the business support, technical and consulting services provided by Tianjin Kars;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Agreements (continued)

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Yixin from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Tianjin Kars may exercise such options at any time until it has acquired all equity interests of Beijing Yixin; and
- obtain a pledge over the entire equity interests of Beijing Yixin from its respective equity holders as collateral security for all of Beijing Yixin's payments due to Tianjin Kars and to secure performance of Beijing Yixin's obligation under the Contractual Arrangements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) *Business combinations* (continued)

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

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

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

(d) *Disposal of subsidiaries*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statements

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

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

2.4 Associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.4 Associates (continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within “finance income, net”. All other foreign exchange gains and losses are presented in the consolidated income statement within “other gains, net”.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.6 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

2.7 Property and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Property and equipment (continued)

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

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

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(a) Goodwill (continued)

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

(b) Trademarks and licenses

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

(c) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line amortization method over expected life of approximate 7 to 10 years.

(d) Domain names

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

(e) Computer software and technology

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(e) Computer software and technology (continued)

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

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

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. No software development costs have been capitalized by the Group for the year ended December 31, 2018 (2017: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(f) Business Cooperation Agreements

The Business Cooperation Agreements are recognized as intangible assets at fair value at the acquisition date. Any directly attributable transaction costs to acquire the assets are included in the costs of the intangible assets.

For the traffic support agreement acquired upon the completion of 2015 Reorganization, amortization is calculated using the straight-line amortization method over 3 years, which is the term of the 2015 Traffic Support Services Agreement. The straight-line amortization method for the 2015 Traffic Support Services Agreement is considered appropriate given there is not a commitment on the number of transaction leads and the pattern of consumption is the contract period. For the traffic support agreements acquired upon the completion of 2017 Reorganization, given both parties have agreed upon the total number of transactions leads that should be referred to the Group, the Group expected to utilize the intangible asset based on the number of transaction leads referred and determined the amortization measured on an actual usage basis. The actual usage amortization method is applied for the 2017 Traffic Support Services Agreement given the consumption of future economic benefits is through the referral of transaction leads, of which there is a commitment on the number of transaction leads to be provided in the agreement, and the Group has established appropriate system functionality to reliably measure such usage for each reporting period.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

(a) Classification

From January 1, 2018, the group classifies its financial assets in the following measurement categories:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's assets measured at amortised cost comprise of "trade receivables", "finance receivables", "deposits and other assets", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(d) Impairment

From January 1, 2018, the group assesses on a forward looking basis the expected credit losses associated with its finance receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

(e) Accounting policies applied until December 31, 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Until December 31, 2017 the group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period. See Note 16 for details about each type of financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(e) Accounting policies applied until December 31, 2017 (continued)

(i) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(ii) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables and held-to-maturity investments were subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(e) Accounting policies applied until December 31, 2017 (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at FVPL' — in profit or loss within other gains/(loss)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains or losses from investment securities.

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(e) Accounting policies applied until December 31, 2017 (continued)

(iii) Impairment (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of finance receivables is described in Note 3.1(b).

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.17 Borrowing costs (continued)

The funding costs associated with the borrowings for the Group's self-operated financing business are recognized as cost of revenues. The interest expenses associated with the borrowings for the Group's general operations are recognized as finance expenses.

2.18 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

The Group's subsidiaries operating in the PRC have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated income statement as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates the Pre-IPO Share Option and Share Award Schemes, under which it receives services from employees and non-employees as consideration for share options and restricted shares (collectively referred to as "Share Awards") of the Company. The fair value of the services received in exchange for the grant of the Share Awards is recognized as an expense on the consolidated income statement.

In terms of the Share Awards awarded, total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.20 Share-based payments (continued)

(a) Equity-settled share-based payment transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of Share Awards that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value), and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees and non-employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

(c) Bitauto ESOP

Bitauto, the controlling shareholder of the Group, granted share-based awards to a number of the Group's employees, in exchange for their services to the Group's certain subsidiaries. The grant is treated as a capital contribution by Bitauto. The fair value of employee services rendered, measured by reference to the grant date fair value of the award, is recognized over the vesting period as share-based compensation expenses, with a corresponding credit to equity in the Group's consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled to in exchange for transferring promised services or goods to the customer. The Group allocate the transaction price to each performance obligation based on the relative stand-alone selling prices. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

(a) Transaction Platform Business

The Group mainly provides (i) loan facilitation services and (ii) advertising and other services to automakers, automobile dealers and insurance companies. Revenue is measured at the transaction price which is the amount of consideration to which the Group is entitled to in exchange for transferring promised services or goods to the customer. The Group allocate the transaction price to each performance obligation based on the relative stand-alone selling price. Revenue for each performance obligation is then recognised when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

(a) Transaction Platform Business (continued)

The Group recognizes revenue from loan facilitation services when assisting the customers to complete an automobile financing transaction. Revenue is recognised when performance obligation of the service has been satisfied, being when a transaction is fulfilled and completed. A receivable is also recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the Group has an enforceable right to payment for performance completed to date.

Revenue from subscription services is recognized on a straight-line basis over the subscription or listing period. The Group invoices its customers based on the payment terms stipulated in the executed subscription agreements, which generally ranges from several months to one year. The Group recognizes the amounts received prior to the transference of service to the customer as a contract liability and records such amounts in advances from customers, which is included in “other payables and accruals” on the Group’s consolidated balance sheet.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

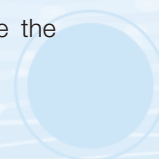
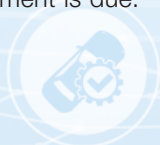
2.22 Revenue recognition (continued)

(b) Self-operated Financing Business

The Group provides automobile financing lease services to individual customers and automobile dealers on its self-operated online automobile financial platform through two models: direct financing lease and sales-and-leaseback. In a direct financing lease arrangement, revenue is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the financing leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognized over the lease period using the effective interest rate method. The Group also provides automobile operating lease services to individual and corporate customers. Revenue from these services is recognized on a straight-line basis over the lease period.

The Group also recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when control of automobiles has been transferred, being the business partners having full control over the automobiles when the automobiles are delivered to the business partners. Delivery occurs when the automobiles have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the business partners, and either the business partners have accepted the automobiles in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the automobiles are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.23 Dividend income

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

2.24 Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. The Group does not have government grants relating to property and equipment, and other non-current assets.

2.25 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where the Group is a lessee and a significant portion of the risks and rewards of ownership of an asset or assets are retained by the lessor, the lease is classified as an operating lease. Operating lease payments are recognized as an expense in profit or loss on the straight-line basis over the lease term.

Where the Group is a lessor and the Group does not transfer substantially all the risks and benefits of ownership of an asset or assets, the lease is classified as an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.25 Leases (continued)

Where the Group is a lessee and the Group has substantially all the risks and rewards of ownership of an asset or assets, the lease is classified as a finance lease. Finance leases are capitalized at inception of the lease at the fair value of the leased property or, if lower, present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Where the Group is a lessor and the Group transfers substantially all the risks and rewards of ownership of an asset or assets to the lessee, the lease is classified as a finance lease. The leased property and equipment held should be presented as a receivable at an amount equal to the net investment in the lease. The finance lease income is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance lease.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US\$. The Group's subsidiaries operate in the PRC and are exposed to foreign exchange risk arising from US\$. The Group's foreign exchange risk primarily arises when the recognized assets and liabilities of the Group's PRC subsidiaries are denominated in US\$. Considering the HK\$ is pegged with the US\$, management is of the opinion that the currency exposure arising from HK\$ transactions is not significant to the Company.

For the Group's PRC subsidiaries whose functional currency is RMB, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year ended December 31, 2018 would have been approximately RMB843,000 (2017: RMB397,000) lower/higher respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US\$.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's loss for the year ended December 31, 2018 would have been approximately RMB56,334,000 (2017: RMB30,066,000) higher/lower.

(b) Credit risk

(i) Risk management

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

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

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

The group's investment in the debt instrument is considered to be low risk investments. The credibility of the issuer of the debt instrument are monitored on a timely basis for credit deterioration.

(ii) Impairment of financial assets

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

- finance receivables
- trade receivables
- other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Finance receivables

To measure the expected credit losses, finance receivables have been grouped based on shared credit risk characteristics and number of days past due.

On that basis, provision for expected credit losses as at December 31, 2018 and January 1, 2018 (on adoption of IFRS 9) was determined as follows for finance receivables:

December 31, 2018	Current RMB'000	Up to 3 months past due	Over 3 months past due	Total RMB'000
		RMB'000	RMB'000	
Expected loss rate	0.46%	17.07%	42.62%	1.38%
Gross carrying amount (Note 17)	35,894,622	1,027,691	411,573	37,333,886
Provision for expected credit losses	164,081	175,424	175,392	514,897

January 1, 2018	Current RMB'000	Up to 3 months past due	Over 3 months past due	Total RMB'000
		RMB'000	RMB'000	
Expected loss rate	0.45%	20.25%	26.30%	1.07%
Gross carrying amount (Note 17)	29,190,773	610,501	245,717	30,046,991
Provision for expected credit losses	132,237	123,650	64,622	320,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Finance receivables (continued)

The provision for expected credit losses for finance receivables as at December 31, 2018 reconciles to the opening provision for expected credit losses as follows:

	RMB'000
At December 31, 2017 — calculated under IAS 39	134,169
Amounts restated through opening retained earnings	186,340
Opening loss allowance as at 1 January 2018 — calculated under IFRS 9	320,509

Finance receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables and other receivables

Management applies the IFRS 9 simplified approach to measure expected credit losses of trade receivables which uses a lifetime expected loss allowance. Trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses. All of the Group's other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected loss. The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial.

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

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

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to a debt investment that is measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of the investment (RMB1,789,470,000; 2017 — nil).

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to consistently monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets, financial liabilities and off-balance sheet operating lease commitments (Note 31(b)) based on contractual undiscounted cash flows:

	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At December 31, 2018			
Financial assets			
Finance receivables	22,767,805	22,047,169	44,814,974
Trade receivables	677,221	—	677,221
Deposits and other financial assets	990,217	558,731	1,548,948
Restricted cash	3,146,081	469,874	3,615,955
Cash and cash equivalents	2,116,197	—	2,116,197
	29,697,521	23,075,774	52,773,295
Financial liabilities			
Borrowings	23,033,461	8,774,717	31,808,178
Trade payables	693,417	—	693,417
Other financial liabilities	1,594,058	502,515	2,096,573
Off-balance sheet — operating lease commitments	33,951	104,837	138,788
	25,354,887	9,382,069	34,736,956
Net	4,342,634	13,693,705	18,036,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At December 31, 2017			
Financial assets			
Finance receivables	16,484,905	17,224,604	33,709,509
Trade receivables	680,135	—	680,135
Deposits and other financial assets	237,967	389,673	627,640
Restricted cash	361,234	150,000	511,234
Cash and cash equivalents	5,824,706	—	5,824,706
	23,588,947	17,764,277	41,353,224
Financial liabilities			
Borrowings	18,230,290	8,221,531	26,451,821
Trade payables	947,751	—	947,751
Other financial liabilities	722,343	79,643	801,986
Off-balance sheet — operating lease commitments	33,144	50,512	83,656
	19,933,528	8,351,686	28,285,214
Net	3,655,419	9,412,591	13,068,010

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet and loans due to related parties) less cash and cash equivalents and restricted cash. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

The Group's debt to equity ratio and net position of the Group as at December 31, 2018 and 2017 was as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Borrowings (Note 26)	30,198,484	25,095,135
Loans due to related parties (Note 32)	1,128,113	200,000
Total borrowings	31,326,597	25,295,135
Less: cash and cash equivalents and restricted cash (Note 20)	(5,654,386)	(6,335,940)
Net debt	25,672,211	18,959,195
Total equity	15,417,818	15,342,023
Total capital	41,090,029	34,301,218
Gearing ratio	62%	55%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2018 and 2017, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	—	—	2,098,200	2,098,200

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	—	—	156,829	156,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

Level 3 instruments of the Group's assets and liabilities include financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended December 31, 2018 and 2017.

	Financial assets at fair value through profit or loss RMB'000
At January 1, 2018	156,829
Additions (Note 15)	1,938,786
Change in fair value (Note 6)	2,585
At December 31, 2018	2,098,200
Total unrealized gains and change in fair value for the year included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	2,585
At January 1, 2017	150,000
Additions	—
Change in fair value (Note 6)	6,829
At December 31, 2017	156,829
Total unrealized losses and change in fair value for the year included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	6,829

There is no transfer from level 1 and level 2 instruments to level 3 for the year ended December 31, 2018. (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private companies and a debt instrument. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows, comparable companies etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital (WACC), recent market transactions, estimated discount for marketing and other exposure, etc.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, loss for the years ended December 31, 2018 would have been approximately RMB209,820,000 (2017: RMB15,683,000) lower/higher respectively.

4 Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) Impairment provision for trade and other receivables

Management assesses the impairment of trade and other receivables according to the aging of trade and other receivables, prior experiences, forward-looking information and customers' credit conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables.

(c) Provision for expected credit losses of finance receivables

The provision for expected credit losses of finance receivables is based on assumptions about risk of default and expected loss rates. Management uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(d) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. As at December 31, 2018 and 2017, the recoverable amount of CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated in Note 13. These growth rates are consistent with management's financial forecast and budget. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 13.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Recognition of deferred tax assets

Deferred income tax assets are mainly recognised for temporary differences such as provisions, accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information

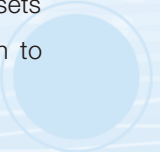
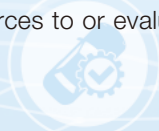
The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive director of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Transaction Platform Business
- Self-operated Financing Business

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

The finance income, finance expenses and fair value loss of convertible redeemable preferred shares are not included in the measurement of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

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

As at December 31, 2018 and 2017, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating loss to loss before income tax for the years ended December 31, 2018 and 2017 is presented in the consolidated income statements of the Group.

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

	Year ended December 31,	
	2018	2017
Financing lease services	4,101,062	2,653,071
Loan facilitation services	538,557	4,235
Sales of automobiles	367,897	103,526
Operating lease services	264,376	163,640
Advertising and other services	223,445	959,665
Others	37,295	21,372
	5,532,632	3,905,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other gains, net

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Fair value gain on financial assets (Note 15)	2,585	6,829
Government grants	52,210	19,920
Gains on disposal of property and equipment	46,299	16,207
Other income from business cooperation arrangements with Yusheng Note (28(a))	48,102	—
Foreign exchange losses, net	(16,776)	(7,110)
Others, net	(20,717)	(13,454)
	111,703	22,392

7 Expenses by nature

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Funding costs	2,053,367	1,137,807
Employee benefit expenses (Note 8)	1,141,645	1,620,340
Provision for expected credit losses of finance receivables (Note 17)	496,714	196,320
Cost of automobiles sold	401,937	103,342
Depreciation and amortization charges (Note 12, 13)	392,317	285,743
Leasing related expenses	332,725	174,730
Marketing and advertising expenditures	293,141	479,682
Transaction facilitation commission fee	192,424	—
Provision for impairment of trade receivables (Note 18)	169,730	39,777
Office and administrative expenses	114,365	112,271
Auditors' remuneration	5,870	4,958
Cost of vehicle telematics devices sold	3,632	126,869
Provision for impairment of other receivables (Note 19)	2,596	22,101
Listing expenses	—	54,346
Other expenses	227,696	174,201
Total	5,828,159	4,532,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	611,835	557,578
Pension and benefits	180,984	149,729
Share-based compensation expenses (Note 23)	348,826	913,033
Total employee benefit expenses	1,141,645	1,620,340

(a) Senior management's emoluments

Senior management includes executive directors and other senior management personnel. The aggregate compensation paid/payable to senior management for employee services is as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	15,634	15,353
Pension and benefits	664	558
Share-based compensation expenses	259,779	850,239
	276,077	866,150



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (continued)

(a) Senior management's emoluments (continued)

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended December 31,	
	2018	2017
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	2
HK\$3,500,001 to HK\$4,000,000	1	—
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$6,500,001 to HK\$7,000,000	1	—
HK\$8,000,001 to HK\$8,500,000	1	—
HK\$9,000,001 to HK\$9,500,000	—	1
HK\$13,500,001 to HK\$14,000,000	1	—
HK\$18,500,001 to HK\$19,000,000	—	1
HK\$34,500,001 to HK\$35,000,000	—	1
HK\$49,000,001 to HK\$49,500,000	1	—
HK\$71,000,001 to HK\$71,500,000	1	—
HK\$73,000,001 to HK\$73,500,000	—	1
HK\$167,000,001 to HK\$167,500,000	1	—
HK\$850,000,001 to HK\$850,500,000	—	1
	9	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2018 include 2 directors (2017: 2) whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 3 for each of the years ended December 31, 2018 (2017: 3) are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	6,360	8,903
Pension and benefits	68	174
Share-based compensation expenses	60,520	45,369
	66,948	54,446

The emoluments fell within the following bands:

	Numbers of individuals	
	Year ended December 31,	
	2018	2017
HK\$13,500,001 to HK\$14,000,000	1	1
HK\$16,500,001 to HK\$17,000,000	1	—
HK\$18,500,001 to HK\$19,000,000	—	1
HK\$34,500,001 to HK\$35,000,000	—	1
HK\$49,000,001 to HK\$49,500,000	1	—
	3	3

For the year ended December 31, 2018 and 2017, there was no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Finance income, net

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax	146,496	111,240
Deferred income tax (Note 27)	(134,792)	(44,910)
Income tax expense	11,704	66,330

The reconciliation of Group's actual income tax expenses to the Group's theoretical income tax amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities is as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss before income tax	(154,876)	(18,270,224)
Tax calculated at PRC statutory income tax rate of 25%	(38,719)	(4,567,556)
Tax effects of:	—	
– Differential income tax rates applicable to certain entities comprising the Group (Note (a),(b))	93,984	4,651,758
– Tax effect of preferential tax treatments (Note (c))	(90,504)	(96,302)
– Expenses not deductible for tax purposes	54,375	74,471
– Tax losses for which no deferred income tax asset was recognized	10,434	976
– Utilization of previously unrecognized tax losses	(18,508)	(915)
Others	642	3,898
Income tax expense	11,704	66,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (continued)

(a) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company, including the fair value loss of convertible redeemable preferred shares, is not subject to any income tax.

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2018 and December 31, 2017.

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2018 and December 31, 2017, based on the existing legislation, interpretations and practices in respect thereof.

Shanghai Lanshu Information Technology Co., Ltd. (“Shanghai Lanshu”) was accredited as a “software enterprise” under the relevant PRC laws and regulations in 2017. Therefore, Shanghai Lanshu is exempted from EIT for two years starting from the year ended December 31, 2017, followed by a 50% reduction in the applicable tax rates for the next three years.

In accordance with relevant PRC laws and regulations, Xinjiang Yin’an Information Technology Co., Ltd. (“Xinjiang Yin’an”) and Xinjiang Wanxing Information Technology Co., Ltd. (“Xinjiang Wanxing”) are exempted from EIT for five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (continued)

(d) PRC Withholding Tax (“WHT”)

According to the PRC Enterprise Income Tax Law (“EIT Law”), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

For the years ended December 31, 2018 and December 31, 2017, the Company did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

11 Loss per share

(a) Basic

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

	Year ended December 31,	
	2018	2017
Loss attributable to owners of the Company (RMB'000)	(166,530)	(18,330,870)
Weighted average number of ordinary shares in issue	6,194,642,296	1,612,050,915
Basic loss per share (expressed in RMB per share)	(0.03)	(11.37)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Loss per share (continued)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2018, the Company had only one category of potential ordinary shares, i.e. the shares options and restricted shares awarded under the Pre-IPO Share Option and First and Second Share Award Schemes (Note 23). For the year ended December 31, 2017, the Company had two categories of potential ordinary shares, i.e. convertible redeemable preferred shares issued by the Company and the shares options awarded under the Pre-IPO Share Option and First and Second Share Award Schemes (Note 23). As the Group incurred losses for the years ended December 31, 2018 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2018 and 2017 are the same as basic loss per share of the respective years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property and equipment (continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of revenues	204,061	136,448
Selling and marketing expenses	3,385	2,980
Administration expenses	12,334	7,359
Research and development expenses	833	870
	220,613	147,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets

	Goodwill (a) RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements (b) RMB'000	Total RMB'000
As at January 1, 2018							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	—	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
For the year ended December 31, 2018							
Opening net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
Additions	—	—	—	—	9,062	—	9,062
Disposals	(11,585)	(6)	(25,609)	(14,787)	(10,651)	—	(62,638)
Amortization charge	—	(3,367)	(1,340)	(1,992)	(3,629)	(161,376)	(171,704)
Closing net book amount	105,131	26,068	—	9,638	18,123	2,000,521	2,159,481
As at December 31, 2018							
Cost	105,131	33,668	—	12,828	21,836	2,344,363	2,517,826
Accumulated amortization	—	(7,600)	—	(3,190)	(3,713)	(343,842)	(358,345)
Net book amount	105,131	26,068	—	9,638	18,123	2,000,521	2,159,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

	Goodwill (a) RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements (b) RMB'000	Total RMB'000
As at January 1, 2017							
Cost	115,848	22,201	30,700	25,785	17,652	92,067	304,253
Accumulated amortization	—	(1,537)	(536)	(767)	(1,075)	(57,542)	(61,457)
Net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
For the year ended December 31, 2017							
Opening net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
Additions	—	11,473	—	4,242	7,909	—	23,624
Business combination	5,194	13,896	—	—	3,290	—	22,380
Disposals	(4,326)	(13,896)	—	—	(27)	—	(18,249)
2017 Reorganization	—	—	—	—	—	2,252,296	2,252,296
Amortization charge	—	(2,696)	(3,215)	(2,843)	(4,408)	(124,924)	(138,086)
Closing net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
As at December 31, 2017							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	—	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761

Notes:

(a) Impairment test for goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. As at December 31, 2018, the goodwill is monitored by management at the operating segment level, as identified in Note 5. A segment level summary of the goodwill allocation is presented below.

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Transaction Platform Business		
— KKC	104,263	115,848
Others	868	868
	105,131	116,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

(a) Impairment test for goodwill (continued)

As at December 31, 2018, the goodwill impairment test was performed at operating segment level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a six-year period with a terminal value related to the future cash flows of extrapolated using the estimated growth rates stated below beyond the six-years period. The Group believes that it is appropriate to cover a six-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. While the industry consultant hired by the Group has provided projections for a six-year period, the management leveraged their extensive experiences in automobile and finance industries and provided forecast for an extended period based on past performance and their expectation of future business plans and market developments.

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 47.9% for a six-year period, and (ii) discount rate, which is 20.0%. The estimated growth rate used in the value-in-use calculations for period beyond the five-years period is 3.0%.

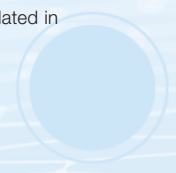
The revenue growth rates applied by the Group are consistent with management's financial forecast and budget. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks.

As at December 31, 2018, the directors are of the view that there was no evidence of impairment of goodwill.

(b) Business Cooperation Agreements

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

The 2015 Traffic Support Services is comprised of automobile financing services traffic support agreement. The automobile financing services traffic support agreement refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group. It is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the forecasted number of transaction leads that will be referred to the Group, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group applied a discount rate of 16.2% for valuing the 2015 Traffic Support Services. The intangible asset is amortized on a straight-line basis over 3 years up to February 16, 2018, which is the term stipulated in the 2015 Traffic Support Services.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

(b) Business Cooperation Agreements (continued)

The 2017 Traffic Support Services is comprised of automobile financing services traffic support agreement and used automobile-related business traffic support agreement. The automobile financing services traffic support agreement refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group commencing on February 17, 2018, that is, upon the expiry of the 2015 Traffic Support Services. The used automobile-related business traffic support agreement refers to all enquiries regarding used automobile-related business arising from Bitauto Group, and is directed from Bitauto Group to the Group commencing on May 26, 2017. Such used automobile-related business traffic support agreement was not included in the 2015 Traffic Support Services. The 2017 Traffic Support Services is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14% to the estimated cost saving for each year to determine the fair value. As there is a commitment on the number of transaction leads, the 2017 Traffic Support Services is/will be amortized on an actual usage basis, i.e. based on the actual number of transaction leads directed to the Group by Bitauto Group during the year or period.

The Non-compete Undertakings is recognized at its fair value, which is established using the with and without method. The Group applied a discount rate of 16% for valuing the Non-compete Undertakings. The intangible asset is amortized on a straight-line basis over 15 years. The Group determined the useful life of the Non-compete Undertakings to be 15 years based on the following reasons: (i) there is no specific contractual expiration date for the Non-compete Undertakings. According to the Business Cooperation Agreements, the undertakings would remain in effect until Bitauto Group holds less than 10% equity interest in the Company and is no longer entitled to nominate director(s) of the Company. Given the significant strategic role of the Group in Bitauto Group's overall business plan, currently and in the foreseeable future, such undertakings would remain and continue in effect; and (ii) for the purpose of fair value assessment, after consultation with its appraisal firm, the Group decided to perform valuation for the assets for up to 15 years, which would be sufficient to capture the vast majority of the cash flow generated from the assets. Management noted that the length of such 15-year period is aligned with the Group's long-term strategies and business development plans.

The Automobile Model Database is recognized at its fair value, which is established using the cost saving method. The Group applied a discount rate of 14% for valuing the Automobile Model Database. The intangible asset is amortized on a straight-line basis over 20 years which is the term stipulated in the Business Cooperation Agreements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

(b) Business Cooperation Agreements (continued)

As at December 31, 2018, the balance of Business Cooperation Agreements amounted to RMB2,000,521,000 (As at December 31, 2017: RMB2,158,061,000).

As at December 31, 2018, the directors are not aware of any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of revenues	3,915	5,513
Selling and marketing expenses	163,581	129,980
Administration expenses	3,720	2,293
Research and development expenses	488	300
	171,704	138,086

14 Investment in an associate

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

Summarized financial information of investment in an associate

Set out below is the summarized financial information of the associate as at December 31, 2018 and 2017 which is accounted for using the equity method used by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investment in an associate (continued)

Summarized balance sheet

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current assets	61,703	59,956
Non-current assets	14,361	14,153
Current liabilities	(7,182)	(10,757)
Non-current liabilities	(3,474)	(3,474)
Net assets	65,408	59,878

Summarized statement of comprehensive income

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Revenue	26,842	14,598
Profit for the year	5,527	473
Total comprehensive income	5,527	473

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in investment in the associate:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Net assets	65,408	59,878
Group's share in %	25%	25%
Group's share in RMB	16,352	14,970
Goodwill	1,081	1,081
Carry amount	17,433	16,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Financial assets at fair value through profit or loss

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	156,829	150,000
Additions (a)	1,938,786	—
Fair value gain	2,585	6,829
At end of the year	2,098,200	156,829

Notes:

- (a) On June 13, 2018, the Company and Yusheng Holdings Limited (“Yusheng”) entered into the Convertible Note Purchase Agreement (“CBPA”) in relation to the Company’s investment in Yusheng by way of subscription of the Convertible Note (“CB”). The CB is interest free and convertible into 13 million non-voting Series pre-A preferred shares of Yusheng at the conversion price of US\$20.00 per share, the principal amount of CB is US\$260,000,000. The Company accounted for the CB as financial assets at fair value through profit or loss, amounting to RMB1,789,470,000 as at December 31, 2018.

For the years ended December 31, 2018, the Group recorded fair value gain of RMB2,585,000 (2017: fair value gain RMB6,829,000) against the carrying amount of its investments in the investee companies, respectively, based on results of its fair value assessment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Financial instruments by category

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Assets as per balance sheet		
Financial assets at fair value through profit or loss:		
– Long-term investments (Note 15)	2,098,200	156,829
Financial assets at amortised cost:		
– Finance receivables (Note 17)	36,818,989	29,912,822
– Trade receivables (Note 18)	677,221	680,135
– Deposits and other receivables (Note 19)	1,548,948	627,640
– Restricted cash (Note 20(b))	3,538,189	511,234
– Cash and cash equivalents (Note 20(a))	2,116,197	5,824,706
	46,797,744	37,713,366

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Liabilities as per balance sheet		
Financial liabilities at amortized cost:		
– Borrowings (Note 26)	30,198,484	25,095,135
– Trade payables (Note 24)	693,417	947,751
– Other payables (excluding advance from customers, staff costs and welfare accruals, deferred revenue and other accruals) (Note 25)	1,594,058	722,343
– Other non-current liabilities (excluding deferred revenue) (Note 28)	502,515	79,643
	32,988,474	26,844,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Finance receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Finance receivables (continued)

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Finance receivables:		
– Individual customers	36,584,722	29,779,274
– Auto dealers	234,267	133,548
	36,818,989	29,912,822

An aging analysis of finance receivables is as follows:

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

As at December 31, 2018 and 2017, carrying amounts of the finance receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Finance receivables (continued)

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

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

18 Trade receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Trade receivables (continued)

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

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

As at December 31, 2018 and 2017, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

- (b) The Group allows a credit period of no more than 360 days to its customers. As at December 31, 2018, trade receivables of RMB483,241,000 (2017: RMB158,158,000) were past due but not impaired.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Up to 3 months	406,109	66,560
3 to 6 months	43,097	27,273
Over 6 months	34,035	64,325
	483,241	158,158

There is no objective evidence that would lead to an impairment charge for the trade receivables past due but not impaired as at December 31, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Trade receivables (continued)

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

	Individually impaired RMB'000
At January 1, 2018	72,259
Charge for the year	169,730
At December 31, 2018	241,989
At January 1, 2017	36,487
Effect of the distribution to Bitauto Group in 2017 Reorganization	(4,005)
Charge for the year	39,777
At December 31, 2017	72,259



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Prepayments, deposits and other assets

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Included in non-current assets:		
Vehicles purchased for future leases	359,760	583,298
Prepayment for vehicles (a)	149,215	261,768
Long-term prepaid expenses	74,113	123,554
Deposits and others	558,731	390,266
	1,141,819	1,358,886
Included in current assets:		
Other receivables from third parties	435,313	28,716
Prepaid taxes	354,655	432,663
Deposits	184,718	40,269
Loans to third parties (b)	153,057	—
Other receivables from disposal of assets	104,357	—
Prepayments (c)	38,716	56,602
Other receivables due from related parties (Note 32)	25,801	47,308
Advances to used car dealers	11,774	62,843
Operational advance to employees	10,405	51,414
Others	110,256	65,907
	1,429,052	785,722
Less: provision for impairment	(24,092)	(21,496)
	1,404,960	764,226
Total	2,546,779	2,123,112

Notes:

- (a) The prepayment for automobiles as at December 31, 2018 includes prepayment to Chetuan amounting RMB98,470,000 (2017: RMB115,564,000) (Note 32(d)).
- (b) The loans to third parties amounting to RMB30,000,000 have been recovered in January 2019. The remaining balances are arranged to be recovered by the end of May 2019 given the business terms.
- (c) The prepayments as at December 31, 2018 include prepayments to Beijing Changxing Information Technology Co., Ltd. amounting RMB1,792,000 (2017: RMB2,904,000), and prepayments to Beijing Jingdong Century Information Technology Co., Ltd. amounting RMB6,615,000 (2017: RMB9,450,000), respectively (Note 32(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Prepayments, deposits and other assets (continued)

As at December 31, 2018 and 2017, the carrying amounts of prepayments, deposits and other assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates. As at December 31, 2018 and 2017, there are no significant balances that are past due.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Cash and bank balances

(a) Cash and cash equivalents

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

As at December 31, 2018 and 2017, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
US\$	27,142	671,292
HK\$	20,469	2,797,556
RMB	2,068,586	2,355,858
	2,116,197	5,824,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Cash and bank balances (continued)

(b) Restricted cash

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

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

Notes:

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

As at December 31, 2018 and 2017, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at December 31,	
	2018 RMB'000	2017 RMB'000
US\$	2,127,592	—
HK\$	884,962	—
RMB	525,635	511,234
	3,538,189	511,234

As at December 31, 2018, the applicable interest rates per annum on restricted cash ranged from 0.30% to 3.28% (2017: 0.30% to 2.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital and share premium

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital and share premium (continued)

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

Notes:

- (a) On May 11, 2017, the Company entered into a share subscription agreement with the Series C preferred shares investors and pursuant to which, (i) the Company issued 70,934,920 shares of Series C preferred shares to Bitauto, and 4,299,090 shares of Series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group non-compete undertakings in relation to the used automobile-related business, (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database for a total of 20 years; (ii) the Company issued 33,317,900 shares of Series C preferred shares at a price of US\$4.65 per share with total cash consideration of US\$155,000,000 (equivalent to approximately RMB1,064,819,000). The issuance of series C preferred shares was completed on May 26, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital and share premium (continued)

Notes: (continued)

- (b) On May 26, 2017, in conjunction with the Company's adoption of Pre-IPO Share Option Scheme and First Share Award Scheme (Note 23(a)), all ordinary shares held by Above Master Limited and Alpha Start Global Limited have been cancelled.
- (c) On October 12, 2017, the Company modified the share option agreement with 20 grantees, including 1 director, 6 other senior management members, and 13 other employees, by immediately vesting a total of 15,957,262 share options held by the grantees. On the same date, the grantees exercised the share options in full for 15,957,262 ordinary shares issued by the Company and transferred 7,167,993, 3,439,269 and 5,350,000 ordinary shares to Xindu Limited, Spring Forests Limited and Yidu Limited, respectively, which are trusts established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts"). The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification. The ordinary shares held by Share Scheme Trusts are not considered issued and outstanding until the grantee's entitlement of the trusts is vested. As at December 31, 2018, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834, after giving effect to the Capitalization Issue (2017: 111,700,834). 46,655,392 ordinary shares held by Share Scheme Trusts are issued and outstanding (2017: 1,134,000).
- (d) Upon completion of the IPO, each issued preferred share was converted into one ordinary share by re-designation and re-classification of every preferred share in issue as an ordinary share on a one for one basis and all the unissued and authorised preferred shares were re-designated and re-classified as ordinary shares.
- (e) On November 16, 2017, the Company allotted and issued a total of 4,626,550,692 ordinary shares of US\$0.0001 each credited as fully paid at par to the shareholders and convertible redeemable preferred shareholders of the Company whose names appear on the register of members of the Company on the day preceding the date of IPO in proportion to their then existing shareholdings in the Company by capitalizing from the share premium account of the Company ("Capitalization Issue"). The ordinary shares allotted and issued pursuant to the above Capitalization Issue rank pari passu in all respects with the existing issued ordinary shares. Accordingly, a total of 95,743,572 ordinary shares were allotted and issued by the Company to the Share Scheme Trusts.
- (f) Upon the conversion of the convertible redeemable preferred shares into ordinary shares, the Company increased its authorized share capital by US\$1,350,000 divided into 13,500,000,000 shares with a par value of US\$0.0001 each to US\$1,500,000 divided into 15,000,000,000 shares with a par value of US\$0.0001 each. Each ordinary share created ranks pari passu in all respects with the ordinary shares in issue.
- (g) Upon completion of the IPO, the Company issued 878,680,000 new shares at par value of US\$0.0001 each for cash consideration of HK\$7.7 each, and raised gross proceeds of approximately HK\$6,765,836,000 (equivalent to RMB5,744,330,000). The respective share capital amount was approximately RMB582,000 and share premium arising from the issuance was approximately RMB5,524,495,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB219,253,000 were treated as a deduction against the share premium arising from the issuance.
- (h) On July 17, 2018 and December 20, 2018, the Company allotted 43,405,148 and 47,500,000 ordinary shares pursuant to the First Share Award Scheme, respectively, for the purpose of granting awarded restricted shares to the participants under the share award schemes.
- (i) During the year ended December 31, 2018, 3,252,030 pre-IPO share options with exercise price of US\$0.0014 were exercised.
- (j) During the year ended December 31, 2018, 2,621,252 ordinary shares of the Company were transferred (2017: nil) to the share awardees upon vesting of the awarded shares (Note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Other reserves

	Note	Capital reserves RMB'000	Statutory surplus reserve (b) RMB'000	Share-based compensation reserve RMB'000	Share-held for share award scheme RMB'000	Currency translation differences (c) RMB'000	Total RMB'000
At January 1, 2018		(431,554)	64,267	925,597	—	239,336	797,646
Currency translation differences		—	—	—	—	37,196	37,196
Share-based compensation	23	—	—	348,826	—	—	348,826
Release of ordinary shares from Share Scheme Trusts	23	—	—	(167,300)	—	—	(167,300)
Shares issued upon exercise of employee share options		—	—	(11,626)	—	—	(11,626)
Vesting of restricted awarded shares		—	—	(3,627)	(2,520)	—	(6,147)
Purchase of restricted shares under share award scheme		—	—	—	(1,585)	—	(1,585)
Appropriation to statutory reserves		—	13,738	—	—	—	13,738
At December 31, 2018		(431,554)	78,005	1,091,870	(4,105)	276,532	1,010,748
At January 1, 2017		(21,779)	17,149	16,618	—	(423,621)	(411,633)
Currency translation differences		—	—	—	—	662,957	662,957
Capital contribution from owners		(6,170)	—	—	—	—	(6,170)
2017 Reorganization	1	(403,605)	—	—	—	—	(403,605)
Share-based compensation	23	—	—	913,033	—	—	913,033
Release of ordinary shares from Share Scheme Trusts	23	—	—	(4,054)	—	—	(4,054)
Appropriation to statutory reserves		—	47,118	—	—	—	47,118
At December 31, 2017		(431,554)	64,267	925,597	—	239,336	797,646

Notes:

- Capital contribution from owners of the Group arises from capital contribution by Bitauto Group to entities that were subsequently acquired by the Group in 2017 Reorganization.
- The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profits for the year after offsetting accumulated losses carried forward from prior years and before distribution to equity holders. The percentages to be appropriated to such statutory reserves are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated statutory surplus reserve fund is 50% or more of the registered capital of the subsidiaries.
- Currency translation differences represent the differences arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments

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

On May 26, 2017, the Board of Directors of the Company approved the establishment of the Pre-IPO Share Option Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The Pre-IPO Share Option Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under 2017 Share Incentive Plan shall be 59,780,609 shares, or 418,464,263 shares, after giving effect to the Capitalization Issue.

On May 26, 2017, the Board of Directors of the Company approved the establishment of the First Share Award Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The First Share Award Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under First Share Award Scheme shall be 10,118,631 shares, or 70,830,417 shares, after giving effect to the Capitalization Issue.

On September 1, 2017, the Board of Directors of the Company approved the establishment of the Second Share Award Scheme with the purpose of which is to provide an incentive for employees and persons contributing to the Group. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Second Share Award Scheme shall be 5% of the total number of issued shares without Shareholders' approval, subject to an annual limit of 3% of the total number of issued shares at the relevant time.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

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

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

The exercise price of the granted options to employees shall be US\$0.01 per share (being US\$0.0014 after taking into account the Capitalization Issue effective on November 16, 2017). The options have graded vesting terms determined in the grant letter, on the condition that employees remain in service without any performance requirements. The vesting dates should be determined by the Company and grantees for each option agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Number of share options
Outstanding as at January 1, 2018	392,429,709
Granted during the year	—
Exercised during the year	(49,907,422)
Forfeited during the year	(9,293,573)
Outstanding as at December 31, 2018	333,228,714
Exercisable as at December 31, 2018	210,367,397
Outstanding as at January 1, 2017	—
Granted during the year	56,477,387
Capitalization issue (Note 21)	338,864,322
Exercised during the year	(1,134,000)
Forfeited during the year	(1,778,000)
Outstanding as at December 31, 2017	392,429,709
Exercisable as at December 31, 2017	192,599,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

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

(ii) Fair value of share options granted under Pre-IPO Share Option Scheme

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

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

(iii) Expected Retention Rate under Pre-IPO Share Option Scheme

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at December 31, 2018, the Expected Retention Rate for the Group’s directors, senior management members, and other employees was assessed to be 100%, 100% and 91%, respectively (2017: 100%, 100% and 95%).

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

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

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

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

(b) Bitauto ESOP

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

24 Trade payables

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Trade payables	661,117	652,662
Note payables	32,300	295,089
	693,417	947,751

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Other payables and accruals

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Loans payable to Bitauto Group (Note 32)	786,430	200,132
Deposits payable	273,378	291,960
Interest payables	227,608	88,721
Advance from customers	168,583	240,590
Deferred revenue (Note 28(a))	164,867	81,629
Tax payable	93,285	43,136
Staff costs and welfare accruals	88,589	101,791
Other payables to related parties for goods and services (Note 32)	82,205	81,818
Accrued expenses	63,790	120,440
Others	224,437	59,713
	2,173,172	1,309,930

As at December 31, 2018, the carrying amounts of the Group's other payables and accruals, excluding advance from customers, staff costs and welfare accruals and other accruals, approximate their fair values at each of the reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Borrowings

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

(a) The pledge borrowings are collateralized by a pledge of term deposits with carrying values of RMB3,124,554,000 (2017: RMB150,000,000) and the Group's finance receivables amounting to RMB20,939,000 (2017: RMB107,134,000) as at December 31, 2018 (Note 20).

(b) As at December 31, 2018, borrowings amounting to RMB471,200,000 (2017: RMB471,600,000) have been guaranteed by certain of Bitauto's subsidiaries (Note 34).

(c) The Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribed a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered controlled structured entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current borrowings in the consolidated balance sheets based on their respective expected repayment dates. As at December 31, 2018, the carrying amount of finance receivables that we collateralized in securitization transactions was RMB16,198,732,000 (2017: RMB10,441,802,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Borrowings (continued)

- (d) As at December 31, 2018, borrowings amounting to RMB8,122,034,000 (2017: RMB6,803,336,000) are secured by the cash proceeds of certain of the Group's finance receivables. Borrowings amounting to RMB395,000,000 secured by the cash proceeds from the subordinate tranche asset-backed securities held by the Group are fully paid in 2018. As at December 31, 2018, the finance receivables amounting to RMB7,800,092,000 (2017: RMB6,585,727,000) are used as pledge for such borrowings. Borrowings amounting to RMB870,000,000 (2017: RMB5,219,750,000) were extended to the Group to expand the self-operated financing business. All finance receivables generated by the Group utilizing the proceeds of the borrowings shall be pledged to secure the borrowings. As at December 31, 2018, the finance receivables amounting to RMB1,021,194,000 (2017: RMB5,502,914,000) are used as pledge for such borrowings.
- (e) As at December 31, 2018, (1) borrowings amounting to RMB3,013,348,000 (2017: RMB2,878,199,000) are guaranteed by the Company and its certain subsidiaries; (2) borrowings amounting to RMB962,360,000 (2017: RMB400,000,000) are unsecured loans.

The borrowings are repayable as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Within 1 year	21,807,380	17,409,042
Between 1 and 2 years	7,916,841	6,460,793
Between 2 and 5 years	474,263	1,225,300
	30,198,484	25,095,135

As at December 31, 2018, the applicable interest rates per annum on long-term borrowings range from 4.75% to 10.50% (2017: 4.75% to 11.21%).

As at December 31, 2018, the applicable interest rates per annum on short-term borrowings range from 4.19% to 10.00% (2017: 4.30% to 7.58%).

As at December 31, 2018 and December 31, 2017, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Deferred income taxes

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

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

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	32,264	(10,017)
Business combination	—	(4,297)
2017 Reorganization	—	(1,806)
Disposal of a subsidiary	—	3,474
Credited to consolidated income statement	134,792	44,910
Adjustment to retained earnings from adoption of IFRS 9 on January 1, 2018	46,585	—
At end of the year	213,641	32,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Deferred income tax (continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities	Fair value gain on financial assets	Intangible assets acquired in business combination	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018	(1,707)	(14,322)	(16,029)
(Charged)/ Credited to consolidated income statement	(646)	13,773	13,127
At December 31, 2018	(2,353)	(549)	(2,902)
At January 1, 2017	—	(15,639)	(15,639)
Business combination	—	(4,297)	(4,297)
Disposal of a subsidiary	—	3,474	3,474
(Charged)/ Credited to consolidated income statement	(1,707)	2,140	433
At December 31, 2017	(1,707)	(14,322)	(16,029)

Deferred income tax assets	Provision for expected credit losses of finance receivables	Provision for impairment of trade receivables	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	41,120		4,800	2,373	48,293
Adjustment to retained earnings from adoption of IFRS 9 on January 1, 2018	46,585				46,585
At January 1, 2018	87,705		4,800	2,373	94,878
Credited/(charged) to consolidated income statement	91,678	32,165	(293)	(1,885)	121,665
At December 31, 2018	179,383	32,165	4,507	488	216,543
At January 1, 2017	5,622		—	—	5,622
2017 Reorganization	—		(1,806)	—	(1,806)
Credited to consolidated income statement	35,498		6,606	2,373	44,477
At December 31, 2017	41,120		4,800	2,373	48,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Deferred income tax (continued)

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

At December 31, 2018, the Group did not recognize deferred income tax assets of RMB5,779,000 (2017: RMB18,966,000) in respect of deductible temporary differences amounting to RMB23,116,000 (2017: RMB75,865,000) that can be carried forward against future taxable income.

28 Other non-current liabilities

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Long-term deposits payable	14,607	28,955
Loans payable to Bitauto Group (Note 32)	343,160	—
Deferred revenue (a)	1,444,920	58,370
Other liabilities	144,748	50,689
	1,947,435	138,014

Note:

- (a) On June 13, 2018, the Company and Yusheng entered into the Convertible Note Purchase Agreement, the Business Cooperation Agreement ("BCA") and the Framework Agreement in relation to the Company's investment in Yusheng by way of subscription of the CB. The transaction was closed on July 9, 2018.

As consideration for the subscription of the CB, the Company agreed to (i) pay a cash consideration of US\$21 million, and (ii) provide certain cooperation services to Yusheng and/or its affiliates pursuant to the terms of the BCA. The Group shall provide the cooperation services to Yusheng and/or its affiliates for a term of 20 years from the date of the BCA. Actions in connection with respect to such cooperation services include (i) the Group providing certain traffic support in relation to the Used Automobile Transaction Business to Yusheng and/or its affiliates; (ii) the Group providing certain automobile database related services to Yusheng and/or its affiliates on a non-exclusive basis; and (iii) the Group shall not engage in, invest in, own, manage, operate or provide assistance to businesses that may compete with the Used Automobile Transaction Business during the term of the BCA or until the Group holds less than 10% equity interest in Yusheng on an as converted and fully diluted basis (whichever comes earlier). Deferred revenue amounting to US\$227,792,000 was initially recognised at fair value of the services in the BCA in "Other payables and accruals" and "Other non-current liabilities" on face of the consolidated balance sheet. As at December 31, 2018, the carrying amount of the related deferred revenue amounted to RMB1,513,644,000.

29 Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Cash flow information

(a) Cash used in operations

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss before income tax	(154,876)	(18,270,224)
Adjustments for:		
– Provision for impairment of trade receivables (Note 18)	169,730	39,777
– Provision for expected credit losses of finance receivables (Note 17)	496,714	196,320
– Provision for impairment of other receivables (Note 19)	2,596	22,101
– Depreciation of vehicles for operating leases (Note 12)	204,061	136,448
– Depreciation of other property and equipment (Note 12)	16,552	11,209
– Amortization of intangible assets (Note 13)	171,704	138,086
– (Gain)/loss on disposals of property and equipment (Note 6)	(52,963)	222
– Gain on disposals of a subsidiary (Note 37)	–	(45)
– Share-based compensations (Note 23)	348,826	913,033
– Fair value loss of convertible redeemable preferred shares (Note 22)	–	17,698,484
– Fair value gain of financial assets at fair value through profit or loss (Note 15)	(2,585)	(6,829)
– Investment income	(1,382)	–
– Interest income (Note 9)	(61,663)	(50,081)
– Interest expenses (Note 9)	34,097	3,035
– Funding costs (Note 7)	2,053,367	1,137,807
– Foreign exchange losses, net (Note 6)	16,776	7,110
– Issuance costs of convertible redeemable preferred shares (Note 9)	–	14,318
– Increase in vehicles for operating leases	(6,930)	(1,207,417)
– Increase in trade receivables	(159,886)	(560,644)
– Increase in finance receivables	(7,589,221)	(15,745,276)
– Decrease/(Increase) in prepayments, deposits and other assets	710,487	(850,401)
– (Decrease)/Increase in trade payables	(254,334)	553,151
– (Decrease)/Increase in other payables and accruals	(43,147)	359,086
– Increase/(Decrease) in other non-current liabilities	20,047	(20,446)
Cash used in operations	(4,082,030)	(15,481,176)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Cash flow information (continued)

(b) Major non-cash transactions

There were no material non-cash transactions for the year ended December 31, 2018 (2017: nil).

(c) Total borrowings reconciliation

The section sets out an analysis of total borrowings and the movements in total borrowings for the year ended December 31, 2018:

	Total Borrowings RMB'000
Total borrowings as at January 1, 2018	(25,095,135)
Cash flows	(5,193,245)
Non-cash movements	89,896
Total borrowings as at December 31, 2018	(30,198,484)
Total borrowings as at January 1, 2017	(11,319,427)
Cash flows	(13,923,156)
Non-cash movements	147,448
Total borrowings as at December 31, 2017	(25,095,135)

The non-cash movements are primarily related to the amortization of loan origination fees over the term of borrowings.

31 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Purchase of automobiles	7,007	503,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Commitments (continued)

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease terms are mainly between 1 to 5 years, and majority of the lease agreements are renewable at the end of the lease at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Within 1 year	33,951	33,144
Later than 1 year and no later than 5 years	98,876	48,689
Later than 5 years	5,961	1,823
	138,788	83,656

32 Related party transactions

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest	
			2018	2017
Bitauto Holdings Limited, together with its subsidiary, Bitauto Hong Kong Limited	Ultimate parent entity and controlling party	Cayman Islands and Hong Kong, respectively	44.83%	45.20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(b) Names and relationships with related parties

Company	Relationship
Bitauto Holdings Limited and its subsidiaries ("Bitauto Group")	Controlling shareholder and its subsidiaries
Beijing Changxing Information Technology Co., Ltd. 北京暢行信息技術有限公司	Significantly influenced by the controlling shareholder
Beijing Jingzheng Information Technology Co., Ltd.	Significantly influenced by the controlling shareholder
Shanghai Youyue Information Technology Co., Ltd. 上海優約信息技術有限公司	Significantly influenced by the controlling shareholder
Shanghai Eclicks Network Co., Ltd. 上海易點時空網絡有限公司	Significantly influenced by the controlling shareholder
Shanghai Chetuan Network Information Technology Co., Ltd. (上海車團網絡信息技術有限公司, "Chetuan")	Significantly influenced by the controlling shareholder
Beijing Anxinbao Insurance Brokerage Co., Ltd.	Associate
Wuhan Kuanter Investment Co., Ltd. (武漢寬途致遠投資有限公司, "Wuhan Kuantu")	Significantly influenced by the controlling shareholder
Beijing Zhengdong Jinkong Information Service Co., Ltd. ("Zhengdong")	An entity under common control with another entity which can exercise significant influence on the Group
Suqian Yunhan Information Technology Co., Ltd.	An entity under common control with another entity which can exercise significant influence on the Group
Baidu Online Network Technology (Beijing) Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Chongqing Jingdong Haijia E-commerce Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Xian Chunhe Asset Management Co., Ltd. ("Xian Chunhe")	Subsidiary of a shareholder that has significant influence on the Group
WeBank Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
WeShare (Shenzhen) Limited	Subsidiary of a shareholder that has significant influence on the Group (until August 28, 2018)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(c) Significant transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties (all amounts are presented net of value-added taxes):

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
(i) Provision of transaction services in accordance with advertising and data services agreements		
Bitauto Group	80,140	132,391
(ii) Provision of other transaction services to related parties		
Beijing Anxinbao Insurance Brokerage Co., Ltd.	6,000	13,380
Bitauto Group	—	25,370
Chetuan	—	1,556
	6,000	40,306
(iii) Provision of financial services in accordance with automobile leasing agreement		
Bitauto Group	15,891	8,199
(iv) Provision of other financial services to a related party		
Chetuan	—	7,714
(v) Provision of automobile financing services in accordance with automobile financing cooperation framework agreement		
WeBank Co.,Ltd	126,609	—
(vi) Purchase of advertising services in accordance with advertising services agreements		
Bitauto Group	—	20,747
(vii) Purchases of other advertising services from related parties		
Beijing Changxing Information Technology Co., Ltd.	1,049	892
Bitauto Group	280	4,544
Chongqing Jingdong Haijia E-commerce Co., Ltd.	—	4,004
	1,329	9,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(c) Significant transactions with related parties (continued)

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
(viii) Purchases of used car valuation services in accordance with used auto services agreements		
Beijing Jingzhengu Information Technology Co., Ltd.	11,859	14,400
Shanghai Youyue Information Technology Co., Ltd.	8,797	—
	20,656	14,400
(ix) Purchases of data services and traffic leads in accordance with data services framework agreement		
Suqian Yunhan Information Technology Co., Ltd.	628	812
Zhengdong	—	544
	628	1,356
(x) Purchase of promotional materials from a related party		
Beijing Jingdong Century Information Technology Co., Ltd.	1,346	22,432
(xi) Purchases of traffic support services from a related party (a)		
Shanghai Eclicks Network Co., Ltd.	—	13,208
(xii) Purchases of vehicles from a related party		
Chetuan	27,219	29,546
(xiii) Purchase of financing services from a related party		
Baidu Online Network Technology (Beijing) Co., Ltd.	9,387	24,744
(xiv) Purchases of structured financing services in accordance with structured financing framework agreement		
WeShare (Shenzhen) Limited	7,678	438

- (xv) From time to time, Bitauto Group may provide guarantees for the Group's borrowings. As at December 31, 2018, borrowings amounting RMB471,200,000 (2017: RMB471,600,000) are collateralized by a pledge of Bitauto Group's term deposits with carrying values of RMB549,056,000 (2017: RMB522,560,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(c) Significant transactions with related parties (continued)

Note:

- (a) In addition to the amounts disclosed above, as part of the 2015 Traffic Support Services (Note 1), the Group obtained traffic support services from Bitauto Group free of charge for a term of 3 years commencing from February 16, 2015, in which all online enquiries regarding automobile finance lease and automobile financing services and products arising from Bitauto Group's websites would be directed to the Group.

Also, as part of the 2017 Traffic Support Services (Note 1), the Group obtained used automobile traffic support services from Bitauto Group free of charge for a term of 3 years and automatically renewable for a further period of 2 years commencing from May 26, 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

(d) Year end balances with related parties

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
(i) Trade receivables due from related parties		
Bitauto Group	123,150	51,889
WeBank Co., Ltd.	12,415	—
Beijing Anxinbao Insurance Brokerage Co., Ltd.	—	9,593
Chetuan	—	1,649
	135,565	63,131
(ii) Finance receivables due from a related party		
Chetuan	105,919	121,034
(iii) Other receivables due from related parties		
Bitauto Group	6,100	26,423
Wuhan Kuantu (a)	—	5,281
Key management personnel	385	604
	6,485	32,308

Note:

- (a) As at December 31, 2018, the loan balance of Wuhan Kuantu was nil after a provision of RMB19,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
(iv) Trade and other payables due to related parties for goods and services		
Bitauto Group	82,471	75,318
Baidu Online Network Technology (Beijing) Co., Ltd.	5,681	6,485
Beijing Jingzhengu Information Technology Co., Ltd.	2,182	3,170
Shanghai Youyue Information Technology Co., Ltd.	1,890	—
Beijing Anxinbao Insurance Brokerage Co., Ltd	—	6,500
Shanghai Eclicks Network Co., Ltd.	—	2,000
	92,224	93,473
(v) Prepayments made to related parties		
Chetuan	98,470	115,564
Beijing Jingdong Century Information Technology Co., Ltd.	6,615	9,450
Beijing Changxing Information Technology Co., Ltd.	1,792	2,904
Bitauto Group	—	32
	106,877	127,950

Except for the related parties transactions disclosed under Note 32(d) (iii) and Note 32(f) and (g), balances with other related parties were all unsecured, interest-free, and repayable on demand.

(e) Key management personnel compensations

Key management includes executive directors and other members of the Company's senior management team. The compensations paid or payable to key management for employee services are shown in Note 8(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(f) Loans from Bitauto Group

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
At January 1	200,132	628,853
Loans advanced	1,589,393	1,294,053
Loans repayment made	(700,000)	(1,702,629)
Interest charged	17,099	16,397
Interest paid	(15,630)	(31,063)
Currency translation differences	38,596	(5,479)
At December 31	1,129,590	200,132
Including: principals of loans	1,127,989	200,000
Accrued Interests	1,601	132

Bitauto Group provided financial assistance to the Group in the form of loans through certain subsidiaries of Bitauto. All loans are unsecured and payable on demand, with the applicable interest rate per annum ranging from 3.00% to 5.22% and 1.50% to 4.36% for years ended December 31, 2018 and 2017, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related party transactions (continued)

(g) Loans from Xian Chunhe

	As at December 31,	
	2018 RMB'000	2017 RMB'000
At January 1		
Loans received during year	200,802	1,300,000
Loans repayment made	(200,000)	(1,100,000)
Interest charged	1,433	7,552
Interest paid	(2,235)	(6,750)
At December 31	—	200,802

33 Benefits and interests of directors

The remuneration of every director for the year ended December 31, 2018 is set out as below:

Name	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses ^(a) RMB'000	Total RMB'000
Executive Director				
Xuan Zhang	2,666	44	138,552	141,262
Dong Jiang	1,585	96	58,532	60,213
Non-executive Directors				
James Gordon Mitchell	—	—	—	—
Jimmy Chi Ming Lai	—	—	—	—
Chenkai Ling	—	—	—	—
Xuyang Zhang	—	—	—	—
Tin Fan Yuen	350	—	1,058	1,408
Chester Tun Ho Kwok	354	—	1,058	1,412
Lily Li Dong	346	—	529	875
	5,301	140	199,729	205,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Benefits and interests of directors (continued)

The remuneration of every director for the year ended December 31, 2017 is set out as below:

Name	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses ^(a) RMB'000	Total RMB'000
Executive Directors				
Xuan Zhang	424	20	736,370	736,814
Dong Jiang (appointed in September 2017)	1,480	73	61,988	63,541
Non-executive Directors				
Juhong Chen (resigned in June 2017)	—	—	—	—
Bin Li (resigned in June 2017)	—	—	—	—
Sidney Xuande Huang (resigned in June 2017)	—	—	—	—
Leiwen Yao (resigned in June 2017)	—	—	—	—
Shenqiang Chen (resigned in June 2017)	—	—	—	—
Wei Cai (resigned in June 2017)	—	—	—	—
James Gordon Mitchell (appointed in June 2017)	—	—	—	—
Jimmy Chi Ming Lai (appointed in June 2017)	—	—	—	—
Chenkai Ling (appointed in June 2017)	—	—	—	—
Xuyang Zhang (appointed in June 2017)	—	—	—	—
Tin Fan Yuen (appointed in November 2017)	43	—	—	43
Chester Tun Ho Kwok (appointed in November 2017)	42	—	—	42
Lily Li Dong (appointed in November 2017)	43	—	—	43
	2,032	93	798,358	800,483

Note:

- (a) Share-based compensation expenses are calculated by applying graded vesting approach according to IFRS 2 that has the effect of recognizing more expenses up front comparing to recognizing expenses evenly during vesting periods. For Pre-IPO Share Option, expenses are calculated with fair value of each option from US\$0.53 to US\$0.70 (HK\$4.12 to HK\$5.46). For the First and Second Share Award Scheme, expenses are calculated with fair value of each share from US\$0.23 to US\$0.40 (HK\$1.83 to HK\$3.14). As at December 31, 2018, closing price of the Group on Hong Kong Stock Exchange was HK\$1.75 (US\$0.22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Benefits and interests of directors (continued)

During the year ended December 31, 2018, there are no retirement or termination benefits have been paid to the Company's directors (2017: nil).

During the year ended December 31, 2018, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: nil).

During the year ended December 31, 2018, none of the Company's directors received any emoluments as an inducement to join or upon joining the Group (2017: nil).

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: nil).

34 Contingencies

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

35 Subsequent events

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Balance sheet and reserves movement of the Company

(a) Balance sheet of the Company

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	4,262,910	3,718,134
Prepayments, deposits and other assets	15,376,342	9,706,928
	19,639,252	13,425,062
Current assets		
Cash and cash equivalents	4,379	2,805,679
Total assets	19,643,631	16,230,741
EQUITY AND LIABILITIES		
Equity		
Share capital	4,114	4,080
Share premium	34,592,150	34,409,418
Other reserves	2,044,857	1,055,468
Accumulated losses	(19,274,734)	(19,248,766)
Total equity	17,366,387	16,220,200
Liabilities		
Non-current liabilities		
Other non-current liabilities	1,510,635	—
Current liabilities		
Other payables and accruals	766,609	10,541
Total liabilities	2,277,244	10,541
Total equity and liabilities	19,643,631	16,230,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Balance sheet and reserves movement of the Company (continued)

(b) Reserves movement of the Company

	Accumulated loss RMB'000	Other reserves RMB'000
At January 1, 2018	(19,248,766)	1,055,468
Loss for the year	(25,968)	—
Share-based compensation	—	347,405
Release of ordinary shares from Share Scheme Trusts	—	(167,300)
Shares issued upon exercise of employee share options	—	(11,627)
Vesting of restricted awarded shares	—	(6,148)
Purchase of restricted shares under share award scheme	—	(1,585)
Currency translation differences	—	828,644
At December 31, 2018	(19,274,734)	2,044,857
At January 1, 2017	(1,519,945)	(5,156)
Loss for the year	(17,728,821)	—
Share-based compensation	—	891,727
Release of ordinary shares from Share Scheme Trusts	—	(4,054)
Currency translation differences	—	172,951
At December 31, 2017	(19,248,766)	1,055,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Subsidiaries

The following is a list of the principal subsidiaries at December 31, 2018:

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31,	
				2018	2017
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong, November 27, 2014, limited liability company	Investment holding, Hong Kong	HK\$10	100%	100%
KKC Holdings Limited	The Cayman Islands, April 22, 2014, limited liability company	Investment holding, the Cayman Islands	US\$7,700	100%	100%
KKC Holdings Limited	Hong Kong, May 8, 2014, limited liability company	Investment holding, Hong Kong	HK\$1	100%	100%
Rising Champion International Limited	Hong Kong, June 15, 2018, limited liability company	Investment	HK\$1	100%	N/A
Eminent Success Holdings Group Limited	British Virgin Islands, June 26, 2018, limited liability company	Investment	US\$50,000	100%	N/A
Beijing KKC Technology Company Limited	The PRC, July 10, 2014, limited liability company	Transaction services, the PRC	US\$11,400,000	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Subsidiaries (continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31,	
				2018	2017
Shanghai Yixin Financing Lease Co., Ltd.	The PRC, August 12, 2014, limited liability company	Leasing services, the PRC	US\$1,500,000,000	100%	100%
Xinche Investment (Shanghai) Co., Ltd. (formerly known as Shanghai Rongche Information Technology Limited)	The PRC, January 16, 2015, limited liability company	Investment holding, the PRC	US\$2,000,000,000	100%	100%
Shanghai Lanshu Information Technology Co., Ltd.	The PRC, January 29, 2015, limited liability company	Technology development, the PRC	RMB50,000,000	100%	100%
Shanghai Techuang Advertisements Co., Ltd.	The PRC, January 29, 2015, limited liability company	Advertising services, the PRC	US\$20,000,000	100%	100%
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	The PRC, May 18, 2015, limited liability company	Leasing services, the PRC	US\$500,000,000	100%	100%
Shenyang Yixin Financial Service Co., Ltd.	The PRC, December 13, 2016, limited liability company	Financial services, the PRC	RMB10,000,000	100%	100%
Beijing Yixin Auto Leasing Co., Ltd.	The PRC, December 15, 2016, limited liability company	Auto leasing, the PRC	RMB9,000,000	100%	100%
Guangzhou Rongche Leasing Co., Ltd.	The PRC, March 8, 2017, limited liability company	Leasing services, the PRC	RMB200,000,000	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Subsidiaries (continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31,	
				2018	2017
Tianjin Huibao Advertising Co., Ltd	The PRC, August 10, 2017, limited liability company	Advertising services, the PRC	US\$2,000,000	100%	100%
Xinjiang Yin'an Information Technology Co., Ltd	The PRC, September 6, 2017, limited liability company	Advertising services, the PRC	US\$10,000,000	100%	100%
Xinjiang Wanxing Information Technology Co., Ltd	The PRC, January 24, 2018, limited liability company	Information technology, the PRC	RMB20,000,000	100%	N/A
Tianjin Wuxin Commercial Factoring Co., Ltd	The PRC, June 12, 2018, limited liability company	Commercial factoring	RMB50,000,000	100%	N/A
Tianjin Kars Information Technology Co., Ltd	The PRC, June 19, 2018, limited liability company	Transaction services, the PRC	RMB20,000,000	100%	N/A
Beijing Yixin Information Technology Co., Ltd.	The PRC, January 9, 2015, limited liability company	Advertising and subscription services, the PRC	RMB50,000,000	100%	100%



FIVE-YEAR FINANCIAL SUMMARY

Condensed consolidated income statements

	Year ended December 31,				
	2014	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	47,990	271,275	1,487,897	3,905,509	5,532,632
Gross profit	41,014	231,277	735,009	2,189,913	2,475,423
Profit/(Loss) for the year	65	(28,206)	(1,404,338)	(18,336,554)	(166,580)
Adjusted net profit (unaudited)	3,780	65,603	99,665	464,121	344,716

Condensed consolidated balance sheets

	As at December 31,				
	2014	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	5,449	784,452	9,491,664	21,861,254	24,460,177
Current assets	240,353	3,081,502	10,559,715	21,005,233	26,082,085
Total assets	245,802	3,865,954	20,051,379	42,866,487	50,542,262
Equity and liabilities					
Equity attributable to owners of the Company	149,550	130,359	(1,397,159)	15,342,023	15,417,818
Non-controlling interests	—	—	12,684	—	—
Total equity	149,550	130,359	(1,384,475)	15,342,023	15,417,818
Non-current liabilities	—	2,617,971	11,401,179	7,840,136	10,341,441
Current liabilities	96,252	1,117,624	10,034,675	19,684,328	24,783,003
Total liabilities	96,252	3,735,595	21,435,854	27,524,464	35,124,444
Total equity and liabilities	245,802	3,865,954	20,051,379	42,866,487	50,542,262

DEFINITIONS

“ABSs”	asset-backed securities, which refer to financial securities or notes backed by assets such as receivables, that are issued through public or private offerings
“Annual General Meeting”	the annual general meeting of the Company to be held on May 17, 2019
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Baidu”	Baidu, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: BIDU)
“Beijing Bitauto Interactive”	Beijing Bitauto Interactive Advertising Co., Ltd.* (北京易車互動廣告有限公司), a company established under the laws of the PRC, a wholly-owned subsidiary of Bitauto
“Beijing KKC”	Beijing KKC Technology Co., Ltd.* (北京看看車科技有限公司), a company established under the laws of the PRC on July 10, 2014 and our wholly-owned subsidiary
“Beijing Yixin”	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息科技股份有限公司), a company established under the laws of the PRC on January 9, 2015 and our Consolidated Affiliated Entity
“Bitauto”	Bitauto Holdings Limited, a company incorporated in the Cayman Islands under the laws of the Cayman Islands on October 21, 2005 and currently listed on the NYSE (NYSE: BITA), and a Controlling Shareholder
“Bitauto Group”	Bitauto and/or subsidiaries and its consolidated affiliated entities from time to time, excluding the Group unless the context so requires
“Bitauto HK”	Bitauto Hong Kong Limited (易車香港有限公司), a company incorporated under the laws of Hong Kong on April 27, 2010, and one of our Controlling Shareholders

DEFINITIONS

“Board”	the board of Directors
“Capitalization Issue”	the issue of 4,626,550,692 Shares on the Listing Date to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed “History and Corporate Structure — The Capitalization Issue” of the Prospectus
“Cayman Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this annual report, references in this annual report to the PRC or China do not include Taiwan, Hong Kong or Macau
“Company”, “our Company”, “the Company”	Yixin Group Limited 易鑫集团有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014 and carries on business in Hong Kong as Yixin Automotive Technology Group Limited and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2858)
“Company Secretary”	the company secretary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity”	the entity we control through the Contractual Arrangements, namely Beijing Yixin
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Beijing KKC, our Consolidated Affiliated Entity and its shareholders, details of which are described in the section headed “Report of the Directors — Connected Transactions — Two Contractual Arrangements”

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Bitauto and Bitauto HK and each of them shall be referred to as a controlling Shareholder
“Director(s)”	the director(s) of our Company
“Dongting Lake Investment Limited”	a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our substantial Shareholder
“ESG”	Environmental, Social and Governance
“First Share Award Scheme”	the share award scheme conditionally approved and adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed “Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — First Share Award Scheme”
“FITE Regulations”	the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, which stipulates that the ultimate foreign equity ownership in a value-added telecommunications services provider shall not exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce business) which may be 100% owned by foreign investors
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Two Contractual Arrangements) from time to time
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 87,868,000 Shares initially being offered for subscription in the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“ICP License”	Value-added Telecommunications Service Operating Permit for Internet information services
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“JD.com”	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: JD), our substantial Shareholder
“Listing”	the listing of the Shares on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Listing Date”	November 16, 2017, being the date the Shares were listed on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum”	the amended memorandum of association of the Company adopted and as amended from time to time
“MIIT”	the Ministry of Industry and Information Technology of PRC

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“New Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Tianjin Kars, Beijing Yixin and its shareholders, details of which are described in the section headed “Report of the Directors — Connected Transactions — Two Contractual Arrangements”
“Nomination Committee”	the nomination committee of the Company
“NYSE”	the New York Stock Exchange
“PRC Legal Advisor”	Han Kun Law Offices, PRC Legal Advisor to the Company
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed “Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Pre-IPO Share Option Scheme”
“Prospectus”	the prospectus of the Company dated November 6, 2017
“Qualification Requirements”	a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the year ended December 31, 2018
“RMB”	Renminbi, the lawful currency of PRC
“Second Share Award Scheme”	the share award scheme conditionally approved and adopted by our Company on September 1, 2017, the principal terms of which are set out in the section headed “Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Second Share Award Scheme”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Shanghai Lanshu”	Shanghai Lanshu Information Technology Co., Ltd.* (上海藍書信息科技有限公司), a company established under the laws of the PRC on January 29, 2015 and our indirect wholly-owned subsidiary
“Shanghai Yixin”	Shanghai Yixin Financing Lease Co., Ltd.* (上海易鑫融資租賃有限公司), a company established under the laws of the PRC on August 12, 2014 and our indirect wholly-owned subsidiary
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.0001
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 700), our substantial Shareholder
“Tianjin Hengtong”	Tianjin Hengtong Jiahe Financing Lease Co., Ltd.* (天津恒通嘉合融資租賃有限公司), a company established under the laws of the PRC on May 18, 2015, and our indirect wholly-owned subsidiary
“Tianjin Kars”	Tianjin Kars Information Technology Co., Ltd.* (天津卡爾斯信息科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Two Contractual Arrangements”	the Contractual Arrangements and the New Contractual Arrangements
“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Voting Proxy Agreement”	the voting proxy agreement entered into between Bitauto, Tencent and JD.com on October 31, 2017 relating to certain voting rights in our Company

DEFINITIONS

“Xinche Investment”	Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資(上海)有限公司), a company established under the laws of the PRC on January 16, 2015 and our indirect wholly-owned subsidiary
“Yixin HK”	Yixin Holding Hong Kong Limited (易鑫集團香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and our wholly-owned subsidiary
“Yusheng”	Yusheng Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
“%”	per cent

**for identification purposes only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.



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