易鑫集團
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

2018
INTERIM REPORT

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易鑫集團
YIXIN GROUP

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

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Hong Kong

CORPORATE INFORMATION

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Cayman Islands

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HONG KONG SHARE REGISTRAR

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Hopewell Centre, 183 Queen's Road East
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Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited
Bank of China

COMPANY WEBSITE

www.yixincars.com

STOCK CODE

2858

CHAIRMAN'S STATEMENT

Mr. Andy Xuan Zhang

Chief Executive Officer, executive Director and Chairman of the Board

Dear Shareholders,

I am pleased to present our interim report for the six months ended June 30, 2018 to the Shareholders.

Our revenues for the six months ended June 30, 2018 increased by 65% period on period to RMB2,564 million, mainly due to the increases in the loan facilitation services and the self-operated financing business.

For the six months ended June 30, 2018, our total financed automobile transactions increased by 58% period on period to approximately 218 thousand. The aggregate auto financing amount we facilitated through our loan facilitation services and our self-operated financing business was approximately RMB17.3 billion, representing 79% period on period increase. Our accumulated total financed automobile transactions reached approximately 850 thousand as at June 30, 2018. For the six months ended June 30, 2018, our financed new automobile transactions increased by 63% period on period to approximately 124 thousand; while our financed used automobile transactions increased by 52% period on period to approximately 94 thousand.

CHAIRMAN'S STATEMENT

Our loan facilitation services experienced rapid growth, while our self-operated financing business still contributed most of our revenues and transaction volume for the six months ended June 30, 2018.

Our revenues from loan facilitation services increased by 118 times period on period to RMB111 million for the six months ended June 30, 2018 and representing 33 times increase from the second half of 2017. For the six months ended June 30, 2018, we facilitated over 28 thousand financed automobile transactions through loan facilitation services for our cooperation banks, representing 19 times period on period increase and 285% increase from the second half of 2017. The auto financing amount we facilitated through loan facilitation services was approximately RMB2.2 billion; representing 23 times period on period increase and 345% increase from the second half of 2017.

Our revenues from our self-operated financing business increased by 87% period on period to RMB2,302 million for the six months ended June 30, 2018. For the six months ended June 30, 2018, we facilitated an approximately 190 thousand financed automobile transactions through our self-operated financing business, representing an approximately 39% period on period increase. The auto financing amount we facilitated through our self-operated financing business was approximately RMB15.1 billion; representing an 57% period on period increase.

Our revenues from advertising and other services decreased 53% to RMB150 million, mainly due to our focus on loan facilitation services, while strategically de-emphasizing advertising and other services.

Our total gross profit increased by 40% period on period to RMB1,250 million for the six months ended June 30, 2018, compared to RMB894 million for the six months ended June 30, 2017, mainly due to the increase of revenues. Our overall gross profit margin decreased to 49% for the six months ended June 30, 2018, compared to 58% for the six months ended June 30, 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 recent general credit tightening environment in China.

Our adjusted operating profit decreased by 66% period on period to RMB120 million for the six months ended June 30, 2018; and our adjusted net profit decreased by 53% period on period to RMB123 million for the six months ended June 30, 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 six months ended June 30, 2018, our provision for credit losses of finance receivables was RMB259 million, an increase of RMB224 million from the same period last year.

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 the second half of 2018, we expect the growth momentum to continue from our businesses, particularly from our loan facilitation services, which feature strong scalability and attractive margin profile. Currently, we work with five loan facilitation banking partners and we expect to further expand our partners and capabilities on loan facilitation services.

We will also continue to strengthen our technology capabilities, particularly our big data capabilities on our real, comprehensive, and continuous customer and auto data, as well as through collaborations with our strategic shareholders and investments in growth companies in our ecosystem, to enable better user experience, more robust risk control system, and more monetization opportunities.

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 automobile transaction experience.

Andy Xuan Zhang
Chairman

Hong Kong
August 22, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The following table sets forth the comparative figures for the six months ended June 30, 2018 and 2017.

	Six months ended June 30,		
	2018	2017	Period on period
	RMB'000	RMB'000	%
Revenues	**2,563,560**	1,551,408	65%
Cost of Revenues	**(1,313,307)**	(657,546)	100%
Gross Profit	**1,250,253**	893,862	40%
Selling and marketing expenses	**(594,519)**	(345,652)	72%
Administrative expenses	**(417,643)**	(128,596)	225%
Net impairment losses on financial assets	**(284,933)**	(54,021)	427%
Research and development expenses	**(141,367)**	(72,423)	95%
Other gains, net	**24,711**	4,838	411%
Operating (loss)/profit	**(163,498)**	298,008	-155%
Finance income	**17,179**	14,918	15%
Finance expenses	**(1,665)**	(15,605)	-89%
Share of profits of investment accounted for using the equity method	**111**	—	N/A
Fair value loss of convertible redeemable preferred shares	**—**	(6,300,470)	-100%
Loss before income tax	**(147,873)**	(6,003,149)	-98%
Income tax expense	**(11,611)**	(101,910)	-89%
Loss for the period	**(159,484)**	(6,105,059)	-97%
Non-IFRSs measures (unaudited)			
Adjusted operating profit (unaudited)	**119,595**	350,184	-66%
Adjusted net profit (unaudited)	**123,327**	261,176	-53%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our total revenues increased by 65% to RMB2,564 million for the six months ended June 30, 2018, compared to RMB1,551 million for the six months ended June 30, 2017, primarily due to the increase in both our loan facilitation services and our self-operated financing business. The following table sets forth the comparative figures for the six months ended June 30, 2018 and 2017.

	Six months ended June 30,			
	2018		2017	
	RMB'000	% of total revenues	RMB'000	% of total revenues
Revenues				
Transaction Platform Business				
Loan Facilitation Services	111,066	4%	930	0%
Advertising and Other Services	150,457	6%	320,211	21%
Subtotal	261,523	10%	321,141	21%
Self-Operated Financing Business				
Financing Lease Services	2,014,952	79%	1,083,813	70%
Other Self-Operated Services[1]	287,085	11%	146,454	9%
Subtotal	2,302,037	90%	1,230,267	79%
Total	2,563,560	100%	1,551,408	100%

Transaction platform business

Revenues from our transaction platform business decreased by 19% period on period to RMB262 million for the six months ended June 30, 2018, compared to RMB321 million for the six months ended June 30, 2017, mainly due to our strategic focusing on loan facilitation services while 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.

Note:

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

Revenues from our loan facilitation services increased by 118 times period on period to RMB111 million for the six months ended June 30, 2018, compared to RMB0.9 million for the six months ended June 30, 2017. For the six months ended June 30, 2018, we facilitated over 28 thousand financed automobile transactions, with the aggregate loan amount of approximately RMB2.2 billion, through loan facilitation services for our cooperation banks; representing 19 times period on period increase in volume and 23 times period on period increase in amount.

Revenues from our advertising and other services decreased by 53% period on period to RMB150 million for the six months ended June 30, 2018, compared to RMB320 million for the six months ended June 30, 2017, mainly due to our strategic de-emphasing 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.

Self-operated financing business

Revenues from our self-operated financing business increased by 87% period on period to RMB2,302 million for the six months ended June 30, 2018, compared to RMB1,230 million for the six months ended June 30, 2017. The growth was primarily due to the growth of our financing lease services. For the six months ended June 30, 2018, we facilitated approximately 190 thousand financed automobile transactions, with the aggregate financing amount of approximately RMB15.1 billion, through self-operated financing business, representing 39% period on period increase in volume and 57% period on period increase in amount. For the six months ended June 30, 2018, approximately 99% of financed automobile transactions through our self-operated financing business were financing lease transactions.

Revenues from our financing lease services increased by 86% period on period to RMB2,015 million for the six months ended June 30, 2018, compared to RMB1,084 million for the six months ended June 30, 2017. The growth was due to both the increase in our new financing lease transactions during the Reporting Period and the increase of our existing financing lease transactions in prior periods. We generated RMB454 million revenues from new financing lease transactions during the Reporting Period and RMB1,561 million revenues from existing financing lease transactions facilitated in prior periods. The average yield of our net finance receivables(1) was 12.1% for the Reporting Period.

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues from our other self-operated services increased by 96% period on period to RMB287 million for the Reporting Period, compared to RMB146 million for the six months ended June 30, 2017. The increase was primarily due to the growth of operating lease services, and partially offset by the decrease of sales of automobiles.

Cost of Revenues

Cost of revenues increased by 100% period on period to RMB1,313 million for the six months ended June 30, 2018, compared to RMB658 million for the six months ended June 30, 2017, primarily due to the increase of funding costs associated with the increase of our self-operated financing business.

Cost of revenues of our transaction platform business decreased by 18% period on period to RMB60 million for the six months ended June 30, 2018, compared to RMB73 million for the six months ended June 30, 2017. The decrease was primarily due to the decrease of commissions associated with used automobile transaction facilitation services, costs of vehicle telematics systems, and costs associated with advertising and subscription services.

Cost of revenues of our self-operated financing business increased by 114% period on period to RMB1,253 million for the six months ended June 30, 2018, compared to RMB585 million for the six months ended June 30, 2017, primarily due to the increase of funding costs and partly offset by the decrease of costs of automobiles sold. Funding costs increased to RMB973 million for the six months ended June 30, 2018, compared to RMB409 million for the six months ended June 30, 2017, as a result of fast expansion of our self-operated financing business and the increase of average cost of the interest-bearing liabilities primarily resulted from the recent general credit tightening environment in China. The average cost of our interest-bearing liabilities[(1)] was 7.0% in the six months ended June 30, 2018.

Note:

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

Gross Profit and Margin

	Six months ended June 30,			
	2018		2017	
	RMB'000	**% of total revenues**	RMB'000	% of total revenues
Segment gross profit and gross profit margins				
Transaction Platform Business	**201,641**	**77%**	248,149	77%
Self-Operated Financing Business	**1,048,612**	**46%**	645,713	53%
Total	**1,250,253**	**49%**	893,862	58%

Our total gross profit increased by 40% period on period to RMB1,250 million for the six months ended June 30, 2018, compared to RMB894 million for the six months ended June 30, 2017; and our overall gross profit margin decreased to 49% for the six months ended June 30, 2018, compared to 58% for the six months ended June 30, 2017, mainly due to the change in revenue mix and increase in average funding cost of our interest-bearing liabilities.

Gross profit of our transaction platform business decreased by 19% period on period to RMB202 million for the six months ended June 30, 2018, compared to RMB248 million for the six months ended June 30, 2017, mainly due to the revenue decline resulted from our strategic de-emphasizing advertising and other services. Gross profit margin of our transaction platform business keep relatively stable at 77% for the six months ended June 30, 2018, compared to the six months ended June 30, 2017.

Gross profit of our self-operated financing business increased by 62% period on period to RMB1,049 million for the six months ended June 30, 2018, compared to RMB646 million for the six months ended June 30, 2017, mainly due to revenue growth. Gross profit margin of our self-operated financing business decreased to 46% for the six months ended June 30, 2018, compared to 53% for the six months ended June 30, 2017, primarily due to the increase in average funding cost primarily resulted from the recent general credit tightening environment in China. The net interest spread of financing leases[1] was 5.1% for the six months ended June 30, 2018.

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

Selling and Marketing Expenses

Selling and marketing expenses increased by 72% period on period to RMB595 million for the six months ended June 30, 2018, compared to RMB346 million for the six months ended June 30, 2017, primarily due to the expansion of sales and marketing personnel, the increase in marketing and advertising expenses, the increase in amortization expenses associated with business cooperation agreements with Bitauto and the increase of share-based compensation expenses. Marketing and advertising expenses was RMB163 million for the six months ended June 30, 2018, compared to RMB104 million for the six months ended June 30, 2017. During the Reporting Period, share-based compensation expenses for our sales and marketing personnel were RMB6 million.

Administrative Expenses

Our administrative expenses increased by 225% period on period to RMB418 million for the six months ended June 30, 2018, compared to RMB129 million for the six months ended June 30, 2017, primarily due to the increase in employee benefit expenses. During the six months ended June 30, 2018, share-based compensation expenses for our administrative personnel were RMB175 million.

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 427% period on period to RMB285 million for the six months ended June 30, 2018, compared to RMB54 million for the six months ended June 30, 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. During the six months ended June 30, 2018, provision for credit losses of finance receivables was RMB259 million, compared to RMB35 million for the six months ended June 30, 2017.

Research and Development Expenses

Our research and development expenses increased by 95% period on period to RMB141 million for the six months ended June 30, 2018, compared to RMB72 million for the six months ended June 30, 2017, primarily due to the increase in our personnel and the development expenses of our IT systems. Share-based compensation expenses for our research and development personnel were RMB10 million for the six months ended June 30, 2018.

Other Gains, Net

Other net gains increased by 411% period on period to RMB25 million for the six months ended June 30, 2018, compared to RMB5 million for the six months ended June 30, 2017. The increase was primarily attributable to the gain of RMB53 million on sale of certain assets related to used automobile transactions to Yusheng.

Finance Income

Our finance income increased by 15% period on period to RMB17 million for the six months ended June 30, 2018, compared to RMB15 million for the six months ended June 30, 2017, mainly due to the increase in interest income from our bank deposits.

Finance Expenses

Our finance expenses decreased by 89% period on period to RMB2 million for the six months ended June 30, 2018, compared to RMB16 million for the six months ended June 30, 2017, primarily because we did not incur issuance costs of convertible redeemable preferred shares for the six months ended June 30, 2018.

Fair Value Loss of Convertible Redeemable Preferred Shares

We did not incur fair value loss of convertible redeemable preferred shares for the six months ended June 30, 2018, compared to RMB6,300 million for the six months ended June 30, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

Our income tax expense decreased by 89% period on period to RMB12 million for the six months ended June 30, 2018, compared to RMB102 million for the six months ended June 30, 2017. The decrease was primarily attributable to the impact of preferential tax rate applicable to some of our subsidiaries in China.

Loss for the Period

Our loss was RMB159 million for the six months ended June 30, 2018, compared to RMB6,105 million for the six months ended June 30, 2017.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2018. (2017: nil)

Non-IFRS Measures

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

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

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Operating (loss)/profit	**(163,498)**	298,008
Add:		
Fair value (gain)/loss on financial assets	**(2,585)**	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	**94,279**	36,489
Share-based compensation expenses	**191,399**	16,945
Listing expenses	**–**	5,571
Adjusted Operating Profit	**119,595**	350,184

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Operating (loss)/profit of transaction platform business	**(5,310)**	87,460
Add:		
Fair value (gain)/loss on financial assets	**(2,585)**	(6,829)
Amortization of intangible assets resulting from asset and business acquisitions	**12,656**	10,802
Share-based compensation expenses	**35,702**	9,161
Listing expenses	**–**	1,153
Adjusted operating profit of transaction platform business	**40,463**	101,747

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30, 2018 RMB'000	2017 RMB'000
Operating (loss)/profit of self-operated financing business	**(158,188)**	210,548
Add:		
Fair value (gain)/loss on financial assets	**–**	–
Amortization of intangible assets resulting from asset and business acquisitions	**81,623**	25,687
Share-based compensation expenses	**155,697**	7,784
Listing expenses	**–**	4,418
Adjusted operating profit of self-operated financing business	**79,132**	248,437

	Six months ended June 30, 2018 RMB'000	2017 RMB'000
Net Loss	**(159,484)**	(6,105,059)
Add:		
Fair value loss of convertible redeemable preferred shares	**–**	6,300,470
Fair value (gain)/loss on financial assets, net of tax	**(1,939)**	(5,122)
Amortization of intangible assets resulting from asset and business acquisitions, net of tax	**93,351**	35,446
Share-based compensation expenses	**191,399**	16,945
Issuance costs of convertible redeemable preferred shares, net of tax	**–**	14,318
Listing expenses, net of tax	**–**	4,178
Adjusted Net Profit	**123,327**	261,176

Adjusted Operating Profit and Margin

Our adjusted operating profit decreased by 66% period on period to RMB120 million for the six months ended June 30, 2018, compared to RMB350 million for the six months ended June 30, 2017, and our overall adjusted operating profit margin decreased to 5% for the six months ended June 30, 2018, compared to 23% for the six months ended June 30, 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.

Adjusted Net Profit and Margin

Our adjusted net profit decreased by 53% period on period to RMB123 million for the six months ended June 30, 2018, compared to RMB261 million for the six months ended June 30, 2017 and our adjusted net profit margin decreased to 5% for the six months ended June 30, 2018, compared to 17% for the six months ended June 30, 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.

Selected Financial Information from our Consolidated Balance Sheet

	As at		
	June 30, 2018	December 31, 2017	Period on period change
	RMB'000	RMB'000	%
Carrying amount of finance receivables	**35,609,821**	29,912,822	19%
Cash and cash equivalent	**2,535,177**	5,824,706	-56%
Total borrowings	**29,025,176**	25,095,135	16%
Current assets	**22,259,884**	21,005,233	6%
Current liabilities	**21,772,693**	19,684,328	11%
Net current assets	**487,191**	1,320,905	-63%
Total equity	**15,209,366**	15,342,023	-1%

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 RMB35.6 billion as at June 30, 2018, compared to RMB29.9 billion as at December 31, 2017, primarily due to the expansion of our financing lease services.

We assess the quality of our finance receivables through past due ratio based on the nature of our business and industry practice. We assess the provision for the past due finance receivables based on estimates of the respective loss probability derived from our historical experience.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	As at June 30, 2018	As at December 31, 2017
	(RMB'000, except for percentage)	
Finance receivables, net (ending balance)	**36,024,412**	30,046,991
Provision for credit losses (ending balance)	**(414,591)**	(134,169)
Provision to net finance receivables ratio[1]	**-1.15%**	-0.45%
Past due net finance receivables:		
31 to 90 days[2]	**155,171**	198,671
91 to 180 days[3]	**208,512**	177,070
180+ days[4]	**171,163**	68,647
Past due ratio:		
31 to 90 days[5]	**0.43%**	0.66%
91 to 180 days[6]	**0.58%**	0.59%
180+ days[7]	**0.48%**	0.23%
90+ days[8]	**1.05%**	0.82%
30+ days[9]	**1.48%**	1.48%
Past due coverage:		
180+ days[10]	**242.22%**	195.45%
90+ days[11]	**109.20%**	54.60%
30+ days[12]	**77.52%**	30.19%

Notes:

(1) Provision for credit losses divided by net finance receivables.

(2) Net finance receivables that have been past due for 31 to 90 days.

(3) Net finance receivables that have been past due for 91 to 180 days.

(4) Net finance receivables that have been past due for 180+ days.

(5) 31 to 90 days past due net finance receivables divided by net finance receivables.

(6) 91 to 180 days past due net finance receivables divided by net finance receivables.

(7) 180+ days past due net finance receivables divided by net finance receivables.

(8) 90+ days past due net finance receivables divided by net finance receivables.

(9) 30+ days past due net finance receivables divided by net finance receivables.

(10) Provision for credit losses divided by 180+ days past due net finance receivables.

(11) Provision for credit losses divided by 90+ days past due net finance receivables.

(12) Provision for credit losses divided by 30+ days past due net finance receivables.

As at June 30, 2018, 31 to 90 days past due ratio, 91 to 180 days past due ratio, 180+ days past due ratio, 90+ days past due ratio, and 30+ days past due ratio were 0.43%, 0.58%, 0.48%, 1.05% and 1.48%, respectively.

Cash and cash Equivalents

As at June 30, 2018, we had cash and cash equivalents of RMB2,535 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 and the use of our IPO Proceeds.

Borrowings

As at June 30, 2018, our total borrowings were RMB29.0 billion, compared to RMB25.1 billion as at December 31, 2017. The increase was mainly due to the expansion of our self-operated financing business and the associated growth of our finance receivables. Total borrowings were comprised of (i) bank loans and borrowings from other institutions of RMB15.9 billion; and (ii) asset-backed securities debt of RMB13.1 billion as at June 30, 2018.

On January 15, 2018, Shanghai Yixin, an indirectly wholly-owned subsidiary of the Company, received a letter of no objection dated January 8, 2018 from the Shanghai Stock Exchange in relation to the proposed private placement of corporate bonds on the Shanghai Stock Exchange (the "**Bond Issue**"). It was intended to raise up to a total of RMB4.0 billion through the Bond Issue in multiple tranches in the 12 months after January 8, 2018 for repaying the debt obligation of Shanghai Yixin and its subsidiaries. The proposed Bond Issue may or may not be proceeded and completion of the Bond Issue is subject to market conditions and approval by the Shanghai Stock Exchange. For details, please refer to the Company's announcement dated January 15, 2018 which was published on the Stock Exchange's website and the Company's website.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Current Assets

Our net current assets were RMB487 million as at June 30, 2018, compared to RMB1,321 million as at December 31, 2017. Our current assets were RMB22.3 billion as at June 30, 2018, compared to RMB21.0 billion as at December 31, 2017, primarily due to the increase in current finance receivables. Our current liabilities were RMB21.8 billion as at June 30, 2018, compared to RMB19.7 billion as at December 31, 2017, primarily due to the increase in current borrowings.

Total Equity

As at June 30, 2018, our total equity was RMB15.2 billion, decreased slightly from RMB15.3 billion as at December 31, 2017, mainly due to the net loss occurred during the six months ended June 30, 2018.

Key Financial Ratios

	As at	
	June 30, 2018	December 31, 2017
Current ratio (times)[1]	**1.02**	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 Group, less our cash and cash equivalents and restricted cash. Total capital is calculated as total equity plus net debt.

Current Ratio

Our current ratio decreased to 1.02 as at June 30, 2018, compared to 1.07 as at December 31, 2017, mainly due to the increase of the current liabilities of the Group.

Gearing Ratio

Our gearing ratio increased to 62% as at June 30, 2018, compared to 55% as at December 31, 2017, mainly due to the 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.

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Purchase of property and equipment	**21,559**	11,541
Purchase of intangible assets	**1,988**	14,777
Investments in financial assets at fair value through profit or loss	**48,083**	—
Investments in associates in the form of ordinary shares	**—**	5,933
Total	**71,630**	32,251

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 six months ended June 30, 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 Notes 18 and 23 to the interim condensed consolidated financial statements, respectively.

Significant Investments Held

We did not hold any significant investments in the equity interests of any other companies.

Future Plans for Material Investments and Capital Assets

We did not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 June 30, 2018, we had 4,106 full-time employees (December 31, 2017: 4,743). The decrease in the number of employees was primarily because we strategically de-emphasize used auto transaction facilitation services. 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 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 Notes 19 and 20 to the interim condensed consolidated financial statements.

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

The total remuneration cost incurred by the Group for the Reporting Period was RMB640 million (2017: RMB286 million).

Material Acquisitions and Disposals

Save as disclosed in this interim report, the Group did not have any other material acquisitions and disposals of subsidiaries or associated companies for the Reporting Period.

Pledge of Assets

Certain deposits placed with banks were used as pledged assets for the Group's bank borrowings and bank notes. Certain finance receivables were used as pledge for the borrowings and securitization transactions. For more details, please refer to the Notes 18 and 23 to the interim condensed consolidated financial statements.

Contingent Liabilities

As at June 30, 2018, we did not have any material contingent liabilities (2017: nil).

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

As at June 30, 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 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	Nature of interest	Number of underlying Shares interested[3]	Approximate percentage of issue shares[4]
Andy Xuan Zhang	Beneficial owner	257,601,260(L)[1]	4.10%
Dong Jiang	Beneficiary of a trust (other than a discretionary interest)	38,519,810(L)[2]	0.61%

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.

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

(4) The percentages are calculated on the basis of 6,277,727,504 Shares in issue as at June 30, 2018.

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

Name of Director	Nature of interest	Name of associated corporation	Number underlying shares interested[2]	Approximate percentage of issued shares of the associated corporation[3]
Andy Xuan Zhang	Beneficial owner	Bitauto	2,360,052(L)[1]	3.24%

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) Based on the total number of shares in issue of Bitauto as at June 30, 2018.

Save as disclosed above, as at June 30, 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.

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

As at June 30, 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 held[5]	Approximate percentage issued share capital of the Company[6]
Bitauto	Beneficial owner	496,544,440(L)	7.91%
Bitauto[1]	Interest of a controlled corporation	2,290,292,130(L)	36.48%
Bitauto[2]	Interest of a party to an agreement regarding interest in the Company	627,632,248(L)	10.00%
Bitauto HK[1]	Beneficial owner	2,290,292,130(L)	36.48%
Tencent[3]	Interest of a controlled corporation	1,312,059,280(L)	20.90%
Dongting Lake Investment Limited[3]	Beneficial owner	931,604,940(L)	14.84%
JD Financial Investment Limited[4]	Beneficial owner	684,283,320(L)	10.90%
JD.com Investment Limited[4]	Interest of a controlled corporation	684,283,320(L)	10.90%
JD.com[4]	Interest of a controlled corporation	684,283,320(L)	10.90%
Max Smart Ltd[4]	Interest of a controlled corporation	684,283,320(L)	10.90%
UBS Trustees (B.V.I.) Limited[4]	Trustee	684,283,320(L)	10.90%
劉強東	Beneficiary of a trust	684,283,320(L)	10.90%

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 31 October 2017, Tencent and JD.com granted to Bitauto a voting proxy over Shares representing two-thirds and one-third, respectively, being 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.

(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 Limited, which in turn is wholly-owned by UBS Nominees Limited, and UBS Nominees Limited is owned as to 100% by UBS Trustees (B.V.I.) Limited. Accordingly, each of JD.com Investment Limited, JD.com, Max Smart Limited, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the same number of Shares in which JD Financial Investment Limited is interested under the SFO.

(5) The letter "L" denotes the substantial Shareholder's long position in such Shares.

(6) The percentages are calculated on the basis of 6,277,727,504 Shares in issue as at June 30, 2018.

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Save as disclosed above, as at June 30, 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-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. 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.

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and the 2017 annual report of the Company.

Details of the movements of the options granted under the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

Name or category of option holders	Date of grant	Exercise period	Exercise price	Number of options: Outstanding as at January 1, 2018	Exercised during the Reporting Period	Cancelled/Lapsed during the Reporting Period	Outstanding as at June 30, 2018
Director and senior management							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from the date of grant	US$0.0014	192,599,071	–	–	192,599,071
	October 1, 2017	10 years from the date of grant	US$0.0014	65,002,189	–	–	65,002,189
Mr. Zhifeng Jia	July 3, 2017	10 years from the date of grant	US$0.0014	700,000	–	–	700,000
Other grantees							
In aggregate	Between July 3, 2017 and October 1, 2017	10 years from the date of grant	US$0.0014	23,561,615	(1,405,030)	(6,942,796)	15,213,789
Total				**281,862,875**	**(1,405,030)**	**(6,942,796)**	**273,515,049**

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Share Award Schemes

The Company has adopted two share award schemes, namely, the First Share Award Scheme and the Second Share Award Scheme, in which eligible participants (including any Director) of the Group will be entitled to participate.

1. 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. 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.

Pursuant to the First Share Award Scheme, the Board shall select the Eligible Person(s) for participation in the First Share Award Scheme and determine the number of shares to be awarded.

As at June 30, 2018, no Shares had been granted or agreed to be granted under the First Share Award Scheme.

2. 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. 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.

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.

As at June 30, 2018, no Shares had been granted or agreed to be granted under the Second Share Award Scheme.

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 approximately RMB5,525 million). There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the 2017 annual report of the Company.

As at June 30, 2018, the Group had utilized the proceeds as set out in the table below:

	IPO Proceeds		Utilisation during the Reporting Period		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	191,745	162,795	1,109,774	942,221
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	174,908	148,500	1,126,611	956,516
Working capital and other general corporate purposes	650,760	552,506	650,760	552,506	—	—
Total	**6,507,595**	**5,525,077**	**4,271,210**	**3,626,340**	**2,236,385**	**1,898,737**

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 acquire any equity interest in a value-added telecommunications business 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.

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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 Requirement

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 applied for, and are in the process of registering trademarks outside the PRC for the promotion of our Relevant Businesses overseas;

3. Yixin HK has set up an office in Hong Kong for the expansion of our operations overseas;

4. our Company has overseas website, www.yixincars.com, which is primarily for introducing our Group's business to users and investor relations purpose. We has utilized this website to help overseas investors to better understand our products and business, and our website has linked to re-direct the users to our domestic website. Through this overseas website, we can capture and analyze overseas user data in order to provide helpful insights for our overseas expansion plans; and

5. our Company has been conducting 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 Communications Administration, 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, the Company's wholly-owned subsidiary in the PRC, on the one hand, and Beijing Yixin and its respective shareholders, on the other hand. The 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 IFRS as if they were wholly-owned subsidiaries of our Group.

Compliance With the Corporate Governance Code

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

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Throughout the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code, except for the following deviation from code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Andy Xuan Zhang is the chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Zhang has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has devised the Company's Securities Dealing Code. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have complied with the Company's Securities Dealing Code throughout the Reporting Period.

The Company's Securities Dealing Code also applies to relevant employees who are likely to be in possession of inside information of the Company. After making reasonable enquiry, no incident of non-compliance with the Company's Securities Dealing Code by relevant employees was noted.

Directors' Interests in Competing Business

Save and except for the interests of our Controlling Shareholders in our Company, during the Reporting Period, neither our Controlling Shareholders nor any of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules. The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and the Directors would comply with the relevant requirements of the Articles of Association and the Listing Rules whenever a Director has any conflict of interest in the transaction(s) with the Company.

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 identify, assesses and take measures against any significant risks that the Company is facing, and review the risk assessment report and reports to the Board.

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

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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.

Risk Management

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

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

- Business and functional departments identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit department;

- The internal audit department collects and analyses the significant risks at the company level, and provides input on risk response strategies and control measures for such risks. These significant risks as well as the corresponding risk responses and control measures will be reviewed by senior management and subsequently by the Audit Committee before reporting to the Board;

- The internal audit department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and

- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which includes designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

Internal Control

The Company has always valued the importance of the internal control systems, and has complied with the requirements under the CG Code 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.

The Board is of the view that throughout the Reporting Period, the risk management and internal control systems of the Company 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.

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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 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.

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee and Review of Financial Statements

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chester Tun Ho Kwok, Mr. Tin Fan Yuen and Ms. Lily Li Dong. Mr. Chester Tun Ho Kwok is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group and internal control with senior management and PwC. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's unaudited interim condensed consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2017 annual report of the Company are set out below:

Directors' Updated Biographical Details

Name of Director	Details of Change	Effective Date
Mr. Andy Xuan Zhang	Appointed as a chairman of the environmental, social and governance committee (the "**Environmental, Social and Governance Committee**") and the executive committee (the "**Executive Committee**") of the Company	July 11, 2018
Mr. Dong Jiang	Appointed as a member of the Environmental, Social and Governance Committee and the Executive Committee	July 11, 2018
Mr. Chenkai Ling	Appointed as a vice president of corporate strategy and investment of JD.com	February, 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.

Important Events after the Reporting Period

Save as disclosed in this interim report, no other important events affecting the Group occurred after June 30, 2018 and up to the date of this interim report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

To the Board of Directors of Yixin Group Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 39 to 92, which comprises the interim condensed consolidated balance sheet of Yixin Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, August 22, 2018

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended June 30, 2018 RMB'000 Unaudited	2017 RMB'000 Audited
Revenues	6		
Transaction Platform Business		**261,523**	321,141
Self-operated Financing Business		**2,302,037**	1,230,267
		2,563,560	1,551,408
Cost of revenues	8	**(1,313,307)**	(657,546)
Gross profit		**1,250,253**	893,862
Selling and marketing expenses	8	**(594,519)**	(345,652)
Administrative expenses	8	**(417,643)**	(128,596)
Net impairment losses on financial assets	8	**(284,933)**	(54,021)
Research and development expenses	8	**(141,367)**	(72,423)
Other gains, net	7	**24,711**	4,838
Operating (loss)/profit		**(163,498)**	298,008
Finance income	9	**17,179**	14,918
Finance expenses	9	**(1,665)**	(15,605)
Fair value loss of convertible redeemable preferred shares		**—**	(6,300,470)
Share of profits of investment accounted for using the equity method	13	**111**	—
Loss before income tax		**(147,873)**	(6,003,149)
Income tax expense	10	**(11,611)**	(101,910)
Loss for the period		**(159,484)**	(6,105,059)
Loss is attributable to:			
— Owners of the Company		**(159,484)**	(6,099,375)
— Non-controlling interests		**—**	(5,684)
		(159,484)	(6,105,059)
Loss per share from operations attributable to owners of the Company for the period (expressed in RMB per share)	11		
— Basic		**(0.03)**	(45.18)
— Diluted		**(0.03)**	(45.18)

The notes on pages 47 to 92 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2018 RMB'000 Unaudited	2017 RMB'000 Audited
Loss for the period		**(159,484)**	(6,105,059)
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(25,217)**	257,553
Total comprehensive loss for the period		**(184,701)**	(5,847,506)
Attributable to:			
— Owners of the Company		**(184,701)**	(5,841,822)
— Non-controlling interests		**—**	(5,684)
		(184,701)	(5,847,506)

The notes on pages 47 to 92 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at June 30, 2018 RMB'000 Unaudited	As at December 31, 2017 RMB'000 Audited
ASSETS			
Non-current assets			
Property and equipment	12	**930,837**	1,208,544
Intangible assets	12	**2,226,944**	2,384,761
Investment in an associate in the form of ordinary shares	13	**16,162**	16,051
Financial assets at fair value through profit or loss	14	**207,497**	156,829
Deferred income tax assets	24	**123,170**	48,293
Prepayments, deposits and other assets	17	**1,756,147**	1,358,886
Finance receivables	15	**18,728,473**	16,537,890
Restricted cash	18	**827,075**	150,000
		24,816,305	21,861,254
Current assets			
Finance receivables	15	**16,881,348**	13,374,932
Trade receivables	16	**734,192**	680,135
Prepayments, deposits and other assets	17	**1,222,044**	764,226
Cash and cash equivalents		**2,535,177**	5,824,706
Restricted cash	18	**887,123**	361,234
		22,259,884	21,005,233
Total assets		**47,076,189**	42,866,487
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	19	**4,107**	4,080
Share premium	19	**34,561,347**	34,409,418
Other reserves		**812,272**	797,646
Accumulated losses		**(20,168,360)**	(19,869,121)
		15,209,366	15,342,023
Non-controlling interests		**—**	—
Total equity		**15,209,366**	15,342,023

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at June 30, 2018 RMB'000 Unaudited**	As at December 31, 2017 RMB'000 Audited
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	24	**2,984**	16,029
Borrowings	23	**9,569,016**	7,686,093
Other non-current liabilities		**522,130**	138,014
		10,094,130	7,840,136
Current liabilities			
Trade payables	21	**858,018**	947,751
Other payables and accruals	22	**1,396,706**	1,309,930
Current income tax liabilities		**61,809**	17,605
Borrowings	23	**19,456,160**	17,409,042
		21,772,693	19,684,328
Total liabilities		**31,866,823**	27,524,464
Total equity and liabilities		**47,076,189**	42,866,487

The notes on pages 47 to 92 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
Unaudited	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2018		4,080	34,409,418	797,646	(19,869,121)	15,342,023	–	15,342,023
Change in accounting policy	3.1	–	–	–	(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 period		–	–	–	(159,484)	(159,484)	–	(159,484)
Currency translation differences		–	–	(25,217)	–	(25,217)	–	(25,217)
Total comprehensive loss for the period		–	–	(25,217)	(159,484)	(184,701)	–	(184,701)
Transactions with owners in their capacity as owners								
Share-based compensation	20	–	–	191,399	–	191,399	–	191,399
Release of ordinary shares from Share Scheme Trusts	19, 20	26	146,894	(146,533)	–	387	–	387
Shares issued upon exercise of employee share options	19, 20	1	5,035	(5,023)	–	13	–	13
Total transactions with owners in their capacity as owners		27	151,929	39,843	–	191,799	–	191,799
Balance at June 30, 2018		4,107	34,561,347	812,272	(20,168,360)	15,209,366	–	15,209,366

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
Audited	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 period		–	–	–	(6,099,375)	(6,099,375)	(5,684)	(6,105,059)
Currency translation differences		–	–	257,553	–	257,553	–	257,553
Total comprehensive loss for the period		–	–	257,553	(6,099,375)	(5,841,822)	(5,684)	(5,847,506)
Transactions with owners in their capacity as owners								
Capital contribution from owners		–	–	(6,170)	–	(6,170)	(7,000)	(13,170)
2017 Reorganization		–	–	(403,605)	–	(403,605)	–	(403,605)
Share-based compensation	20	–	–	16,945	–	16,945	–	16,945
Total transactions with owners in their capacity as owners		–	–	(392,830)	–	(392,830)	(7,000)	(399,830)
Balance at June 30, 2017		83	505,524	(546,910)	(7,590,508)	(7,631,811)	–	(7,631,811)

The notes on pages 47 to 92 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30, 2018 RMB'000 Unaudited	2017 RMB'000 Audited
Cash flows from operating activities			
Cash used in operations		**(4,876,427)**	(5,822,328)
Income tax paid		**(70,583)**	(84,160)
Net cash used in operating activities		**(4,947,010)**	(5,906,488)
Cash flows from investing activities			
Interest received		**19,569**	14,024
Proceeds from disposal of property and equipment and intangible assets		**16,006**	138
Cash disposed in the disposal of a subsidiary		**–**	(8,350)
Purchase of property and equipment		**(25,224)**	(13,392)
Purchase of intangible assets		**(2,107)**	(48,424)
Loans to a related party	26	**–**	(20,000)
Loans to a third party		**(93,000)**	–
Prepayment for an investment		**(100,000)**	–
Investments in financial assets at fair value through profit or loss	14	**(48,083)**	–
Payments from business combinations, net		**–**	(14,526)
Placements of restricted cash		**(1,380,725)**	(1,777,425)
Maturity of restricted cash		**206,387**	2,173,714
Net cash (used in)/generated from investing activities		**(1,407,177)**	305,759

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30, 2018 RMB'000 Unaudited	2017 RMB'000 Audited
Cash flows from financing activities			
Distribution to Bitauto in 2017 Reorganization		**–**	(98,855)
Proceeds from borrowings		**20,149,028**	13,302,403
Repayment of borrowings		**(16,152,734)**	(7,543,242)
Deposits for borrowings		**(287,180)**	(197,904)
Proceeds of loans from Bitauto Group	26	**382,608**	–
Repayment of loans from Bitauto Group	26	**(200,000)**	(30,000)
Proceeds from issuance of convertible redeemable preferred shares		**–**	1,064,819
Payment of issuance costs of convertible redeemable preferred shares		**–**	(13,703)
Payment of issuance cost of ordinary shares relating to the initial public offering		**(13,516)**	–
Proceeds from exercise of share options		**2,053**	–
Interest paid		**(760,306)**	(375,202)
Net cash generated from financing activities		**3,119,953**	6,108,316
Net (decrease)/increase in cash and cash equivalents		**(3,234,234)**	507,587
Cash and cash equivalents at beginning of period		**5,824,706**	660,852
Exchange losses on cash and cash equivalents		**(55,295)**	(23)
Cash and cash equivalents at end of period		**2,535,177**	1,168,416

The notes on pages 47 to 92 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

Yixin Group Limited (the "**Company**", formerly known as Yixin Capital Limited) 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 automobile transaction services, which is primarily comprised of loan facilitation services, and advertising and other services ("**Transaction Platform Business**"); and (ii) the provision of self-operated automobile financing services, which primarily include financing lease services and other self-operated lease 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 report. 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**"). Upon the completion of the IPO on November 16, 2017, all of the Company's 620,135,460 outstanding convertible redeemable preferred shares were converted into ordinary shares on a one-to-one basis immediately as at the same date. The net proceeds to the Company from the IPO, after deducting underwriting commissions and other issuance costs paid and payable, were approximately RMB5,525,077,000.

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; (2) Bitauto Group's non-compete undertakings; (3) free traffic support from Bitauto Group; and (4) free access to Bitauto Group's automobile model database. This transaction is referred to as "2017 Reorganization".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information (continued)

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 June 30, 2018, other than restrictions from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group (2017: nil).

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

United States Dollars are defined as "US$" and Hong Kong Dollars are defined as "HK$".

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2018 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2017 which has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") by the Group.

3 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following new and amended standards, and annual improvement are mandatory for the first time for the Group's financial year beginning on January 1, 2018 and are applicable for the Group:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Annual Improvement to IFRSs 2014–2016 cycle;
- IFRIC-Int 22, Foreign Currency Transactions and Advance Consideration.

3 Accounting Policies (continued)

New and amended standards adopted by the Group (continued)

Amendments to IFRS effective for the financial year beginning on January 1, 2018 do not have a material impact on the Group's interim financial information other than IFRS 9 and IFRS 15, details of which are set out in Note 3.1 and 3.2, respectively.

3.1 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 3.1(a) and (b), the new accounting policies are set out in note 3.1(c) 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 period ended June 30, 2018. The adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.1 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.

Balance sheet (extract)	December 31, 2017	IFRS 9	January 1, 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 24)	**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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.1 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 only type of financial assets that is subject to IFRS 9's new expected credit loss model is finance receivables.

The Group was required to revise its impairment methodology under IFRS 9 for finance receivables. The impact of the change in impairment methodology on the Group's retained earnings and equity is as follow:

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all finance receivables.

To measure the expected credit losses, finance receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.1 IFRS 9 Financial Instruments (continued)

(b) IFRS 9 Financial Instruments — Impact of adoption (continued)

(ii) Impairment of financial assets (continued)

On that basis, the loss allowance as at January 1, 2018 was determined as follows for finance receivables:

	Current RMB'000	Up to 1 month past due RMB'000	1 to 3 months past due RMB'000	Over 3 months past due RMB'000	Total RMB'000
Expected loss rate	0.45%	10.72%	40.02%	26.30%	1.07%
Gross carrying amount (Note 15)	29,190,773	411,830	198,671	245,717	30,046,991
Loss allowance	132,237	44,133	79,517	64,622	320,509

The loss allowances for finance receivables as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018 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 January 1, 2018 – calculated under IFRS 9	**320,509**

The loss allowances increased by a further RMB94,081,000 for finance receivables during the six months to June 30, 2018.

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 180 days past due.

3 Accounting Policies (continued)

3.1 IFRS 9 Financial Instruments (continued)

(b) IFRS 9 Financial Instruments — Impact of adoption (continued)

(ii) Impairment of financial assets (continued)

Significant estimates related to Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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 table above.

(c) IFRS 9 Financial Instruments — Accounting policies applied from January 1, 2018

(i) 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 OCI, 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 OCI. 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.1 IFRS 9 Financial Instruments (continued)

(c) IFRS 9 Financial Instruments — Accounting policies applied from January 1, 2018 (continued)

(ii) 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 a separate line item in the statement of profit or loss.

- 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 OCI, except for the recognition of impairment gains or losses, interest revenue 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 OCI 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 statement of profit or loss.

3 Accounting Policies (continued)

3.1 IFRS 9 Financial Instruments (continued)

(c) IFRS 9 Financial Instruments — Accounting policies applied from January 1, 2018 (continued)

(ii) Measurement (continued)

Debt instruments (continued)

- 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 OCI, 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.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses), net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.2 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 material impact on the timing and amounts of revenue recognition 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 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 period ended June 30, 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.2 IFRS 15 Revenue from Contracts with Customers (continued)

(b) IFRS 15 Revenue from Contracts with Customers — Accounting policies

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.

The Group recognizes revenue from facilitation and other services when assisting the customers to complete a used automobile purchase transaction or an automobile financing transaction. Revenue is recognised when performance obligation of the service has been satisfied, being when a transaction is fulfilled and completed. The Group also purchases and sells vehicle telematics devices and automobiles to automobile dealers and institutional customers. Sales are recognised when control of the devices and automobiles has been transferred, being when the products are delivered to the business partners, the business partners have full control over the devices and automobiles. Delivery occurs when the devices and 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 products 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 goods 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 Accounting Policies (continued)

3.2 IFRS 15 Revenue from Contracts with Customers (continued)

(b) IFRS 15 Revenue from Contracts with Customers — Accounting policies (continued)

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.

Other revenue streams, which mainly include automobile financing lease services provided to individual customers and automobile dealers on the Group's self-operated online automobile financial platform through direct financing lease and sales-and-leaseback models, are not subject to IFRS 15 or minimal.

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.

3.3 Impact of standards issued but not yet adopted

IFRS 16, "Leases"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, 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.

The accounting for lessors will not significantly change.

3 Accounting Policies (continued)

3.3 Impact of standards issued but not yet adopted (continued)

IFRS 16, "Leases" (continued)

The standard will affect primarily the accounting for the Group's operating leases. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at June 30, 2018 were RMB103,304,000 with the minimum lease payments due less than one year amounting to approximately RMB41,101,000, and those due more than one year and less than five years amounting to approximately RMB62,203,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

4 Estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2017, except for those related to impairment of financial assets set out above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

There have been no changes in the Group's risk management department or in any risk management policies since December 31, 2017.

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at June 30, 2018 and as at December 31, 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).

5 Financial risk management (continued)

5.2 Fair value estimation (continued)

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 (Note 14)	–	–	156,829	156,829

The following table presents the Group's assets and liabilities that are measured at fair value as at June 30, 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 (Note 14)	**–**	**–**	**207,497**	**207,497**

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 Financial risk management (continued)

5.2 Fair value estimation (continued)

(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.

5 Financial risk management (continued)

5.2 Fair value estimation (continued)

(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.

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the six months ended June 30, 2018 and 2017.

	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
At January 1, 2018	**156,829**	**156,829**
Additions	**48,083**	**48,083**
Change in fair value (Note 7)	**2,585**	**2,585**
At June 30, 2018	**207,497**	**207,497**
Total unrealized gains and change in fair value for the period included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	**2,585**	**2,585**
At January 1, 2017	150,000	150,000
Additions	—	—
Change in fair value (Note 7)	6,829	6,829
At June 30, 2017	156,829	156,829
Total unrealized gains and change in fair value for the period included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	6,829	6,829

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 Financial risk management (continued)

5.2 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. As these instruments are not traded in an active market, their fair value 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.

6 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 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

6 Segment information (continued)

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 the Transaction Platform Business segment primarily comprised of employee benefit expenses for the employees operating the transaction platform and other direct service costs. Cost of revenues for the 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, 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.

The segment results for the six months ended June 30, 2018 as follows:

	Unaudited Six months ended June 30, 2018		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	261,523	2,302,037	2,563,560
— Recognized at a point in time	123,345	89,954	213,299
— Recognized over time	138,178	2,212,083	2,350,261
Gross profit	201,641	1,048,612	1,250,253
Operating loss	(5,310)	(158,188)	(163,498)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 Segment information (continued)

The segment results for the six months ended June 30, 2017 as follows:

	Audited Six months ended June 30, 2017		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	321,141	1,230,267	1,551,408
— Recognized at a point in time	131,986	103,292	235,278
— Recognized over time	189,155	1,126,975	1,316,130
Gross profit	248,149	645,713	893,862
Operating profit	87,460	210,548	298,008

None of the customers of the Group have accounted for more than 10% of the Group's total revenues for the six months ended June 30, 2018 and 2017.

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 June 30, 2018 and December 31, 2017, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating (loss)/profit to loss before income tax for the six months ended June 30, 2018 and 2017 is presented in the consolidated income statements of the Group.

6 Segment information (continued)

The segment information provided to the Group's CODM for the operating segments for the six months ended June 30, 2018 and 2017 is as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
Loan facilitation services	**111,066**	930
Advertising and other services	**150,457**	320,211
Financing lease services	**2,014,952**	1,083,813
Operating lease services	**180,124**	31,811
Sales of automobiles	**87,420**	103,293
Others	**19,541**	11,350
	2,563,560	1,551,408

7 Other gains, net

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
Gains/(Losses) on disposal of property, equipment, and intangible assets (a)	**39,781**	(222)
Government grants	**9,683**	2,585
Fair value gain on financial assets (Note 14)	**2,585**	6,829
Foreign exchange losses, net	**(15,840)**	(211)
Others, net	**(11,498)**	(4,143)
	24,711	4,838

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 Other gains, net (continued)

Note (a):

On June 13, 2018, the Company announced that it and Yusheng Holdings Limited ("**Yusheng**") entered into the Convertible Note Purchase Agreement ("**CBPA**"), the Business Cooperation Agreement ("**BCA**") and the Framework Agreement in relation to the Company's investment in Yusheng by way of subscription of the Convertible Note ("**CB**").

Pursuant to the Framework Agreement and the Asset Transfer Agreements, the Company agreed to sell, either directly or through its affiliates, and Yusheng agreed to purchase, either directly or through its affiliates, certain used car assets group, including fixed assets, intangible assets such as domain name, trademark, and copyright, and some goodwill (defined as "**Transferred Assets**"), for an aggregate purchase price of US$21 million or its RMB equivalent (exclusive of any PRC tax). Gain on the disposal of the assets group amounting to RMB53.1 million has been recognized during the six months ended June 30, 2018.

8 Expenses by nature

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
Funding costs	**973,107**	409,175
Employee benefit expenses	**639,633**	285,802
Provision for credit losses of finance receivables (Note 15)	**259,426**	35,368
Depreciation and amortization charges (Note 12)	**238,935**	71,298
Leasing related expenses	**200,830**	67,787
Marketing and advertising expenditures	**194,127**	111,447
Cost of automobiles sold	**86,876**	103,110
Office and administrative expenses	**62,817**	51,929
Provision for impairment of trade receivables (Note 16)	**21,605**	12,956
Provision for impairment of other receivables (Note 17)	**3,902**	5,697
Other expenses	**70,511**	103,669
Total cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses	**2,751,769**	1,258,238

9 Finance income and expenses

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
Finance income:		
— Interest income	**17,179**	14,918
Finance expenses:		
— Interest expenses	**(1,665)**	(1,287)
— Issuance costs of convertible redeemable preferred shares	**—**	(14,318)
	(1,665)	(15,605)
Net finance income/(expenses)	**15,514**	(687)

10 Income tax expense

The income tax expense of the Group for the six months ended June 30, 2018 and 2017 is analysed as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
Current income tax	**52,948**	113,955
Deferred income tax (Note 24)	**(41,337)**	(12,045)
Income tax expense	**11,611**	101,910

(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 is not subject to any income tax.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 Income tax expense (continued)

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the period ended June 30, 2018 and June 30, 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 period ended June 30, 2018 and June 30, 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 exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

In accordance with relevant PRC laws and regulations, Xinjiang Yin'an Information Technology Co., Ltd. ("**Xinjiang Yin'an**") is exempt from EIT for five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years.

(d) PRC Withholding Tax ("WHT")

According to the PRC Enterprise Income Tax Law, 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 period ended June 30, 2018 and June 30, 2017, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

11 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 period.

	Six months ended June 30,	
	2018	2017
Loss attributable to owners of the Company (RMB'000)	**(159,484)**	(6,099,375)
Weighted average number of ordinary shares in issue	**6,177,904,024**	134,999,060
Basic loss per share (expressed in RMB per share)	**(0.03)**	(45.18)

(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 period ended June 30, 2018, the Company had one category of potential ordinary shares, i.e. the shares options awarded under the Pre-IPO Share Option and Share Award Schemes (Note 20). For the period ended June 30, 2017, the Company had one category of potential ordinary shares, i.e. convertible redeemable preferred shares issued by the Company. As the Group incurred losses for the periods ended June 30, 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 periods ended June 30, 2018 and 2017 are the same as basic loss per share of the respective periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 Property and equipment and Intangible assets

	Property and Equipment RMB'000	Intangible Assets RMB'000
Unaudited		
Six months ended June 30, 2018		
Opening net book amount	**1,208,544**	**2,384,761**
Additions	**159,838**	**1,988**
Disposals	**(295,493)**	**(62,922)**
Depreciation/amortization charge	**(142,052)**	**(96,883)**
Closing net book amount	**930,837**	**2,226,944**
Audited		
Six months ended June 30, 2017		
Opening net book amount	103,746	242,796
Additions	502,837	14,777
Business combination	—	22,380
Disposals	(24,360)	(18,249)
2017 Reorganization	—	2,252,296
Subsidiary Disposal	(595)	—
Depreciation/amortization charge	(32,862)	(38,436)
Closing net book amount	548,766	2,475,564

13 Investment in an associate in the form of ordinary shares

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of the period	**16,051**	100
Additions	**—**	5,933
Distribution to Bitauto Group in 2017 Reorganization	**—**	(100)
Share of profit of an associate	**111**	—
At end of the year	**16,162**	5,933

14 Financial assets at fair value through profit or loss

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of the period	**156,829**	150,000
Additions	**48,083**	—
Fair value gain	**2,585**	6,829
At end of the period	**207,497**	156,829

The Group made investments in redeemable convertible preferred shares and ordinary shares with preferential rights of certain private companies. These investments held by the Company contain embedded derivatives that are not closely related to the host contracts. After considering the Group's investment objectives and intention, the Group decided to not bifurcate the embedded derivatives from the host instruments and designated the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in "other gains, net" in the consolidated income statements.

For the six months ended June 30, 2018, the Group recorded fair value gain RMB2,585,000 (For the six months ended June 30, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 Finance receivables

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at June 30, 2018 and December 31, 2017 is as below:

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Finance receivables		
— Finance receivables, gross	**40,132,041**	33,709,509
— Unearned finance income	**(4,107,629)**	(3,662,518)
Finance receivables, net	**36,024,412**	30,046,991
Less: provision for credit losses	**(414,591)**	(134,169)
Carrying amount of finance receivables	**35,609,821**	29,912,822
Finance receivables, gross		
— Within one year	**20,539,557**	16,484,905
— After one year but not more than five years	**19,592,484**	17,224,604
	40,132,041	33,709,509
Finance receivables, net		
— Within one year	**17,078,298**	13,437,607
— After one year but not more than five years	**18,946,114**	16,609,384
Total	**36,024,412**	30,046,991

15 Finance receivables (continued)

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

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Finance receivables:		
— Individual customers	35,330,180	29,779,274
— Auto dealers	279,641	133,548
	35,609,821	29,912,822

An aging analysis of finance receivables is as follows:

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Not past due	34,771,941	29,190,773
Past due		
Up to 1 month	717,625	411,830
1 to 3 months	155,171	198,671
Over 3 months	379,675	245,717
Finance receivables, net	36,024,412	30,046,991
Less: provision for credit losses	(414,591)	(134,169)
Carrying amount of finance receivables	35,609,821	29,912,822

As at June 30, 2018 and December 31, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 Finance receivables (continued)

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

	Provision for credit losses RMB'000
Provision Movement:	
At December 31, 2017	**134,169**
Change in accounting policy (Note 3.1)	**186,340**
At January 1, 2018	**320,509**
Charge for the period	**259,426**
Write off	**(165,344)**
At June 30, 2018	**414,591**
At January 1, 2017	22,486
Charge for the period	35,368
Write off	(27,107)
At June 30, 2017	30,747

16 Trade receivables

	As at June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Trade receivables	**828,056**	752,394
Less: provision for impairment	**(93,864)**	(72,259)
Trade receivables, net	**734,192**	680,135

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 Trade receivables (continued)

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

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Up to 3 months	229,016	425,535
3 to 6 months	149,266	190,275
Over 6 months	355,910	64,325
	734,192	680,135

As at June 30, 2018 and December 31, 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 18 months to its customers. As at June 30, 2018, trade receivables of RMB273,621,000 (2017: RMB158,158,000) were past due but not impaired.

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Up to 3 months	67,121	66,560
3 to 6 months	59,639	27,273
Over 6 months	146,861	64,325
	273,621	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 June 30, 2018 and December 31, 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 Trade receivables (continued)

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

	Individually impaired RMB'000
Provision Movement:	
At January 1, 2018	**72,259**
Charge for the period	**21,605**
At June 30, 2018	**93,864**
At January 1, 2017	36,487
Effect of the distribution to Bitauto Group in 2017 Reorganization	(4,005)
Charge for the period	12,956
At June 30, 2017	45,438

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 Prepayments, deposits and other assets

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Included in non-current assets:		
Vehicles purchased for future leases	731,681	583,298
Prepayment for vehicles (a)	332,207	261,768
Long-term prepaid expenses	110,160	123,554
Deposits and others	582,099	390,266
	1,756,147	1,358,886
Included in current assets:		
Prepaid taxes	495,323	432,663
Deposits	220,616	68,985
Other receivables from disposal of assets	137,230	—
Prepayment for an investment	100,000	—
Other receivables due from a third party	93,000	—
Other receivables due from related parties (Note 26)	27,346	47,308
Prepayments (b)	43,607	56,602
Operational advance to employees	14,847	51,414
Advances to used car dealers	11,987	62,843
Others	103,486	65,907
	1,247,442	785,722
Less: provision for impairment	(25,398)	(21,496)
	1,222,044	764,226
Total	2,978,191	2,123,112

Notes:

(a) The prepayment for automobiles as at June 30, 2018 includes prepayment to Chetuan amounting RMB122,737,000 (2017: RMB115,564,000) (Note 26).

(b) The prepayments as at June 30, 2018 include prepayments to Beijing Changxing Information Technology Co., Ltd. amounting RMB2,523,000 (2017: RMB2,904,000), and prepayments to Beijing Jingdong Century Information Technology Co., Ltd. amounting RMB9,905,000 (2017: RMB9,450,000), respectively (Note 26).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17 Prepayments, deposits and other assets (continued)

As at June 30, 2018 and December 31, 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 June 30, 2018 and December 31, 2017 there are no significant balances that are past due.

18 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 statement of cash flows.

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Term deposits pledged for bank borrowings (a)	**1,338,553**	150,000
Cash deposited in asset-backed securitization vehicles (b)	**274,992**	211,368
Cash pledged for bank notes (c)	**61,846**	145,227
Other deposits in banks	**38,807**	4,639
	1,714,198	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 collected from the finance receivables that are deposited in asset-backed securitization vehicles 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 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 June 30, 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		(108,551,910)	(11)	108,551,910	11
As at June 30, 2017		879,864,540	88	620,135,460	62

	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**
Shares options granted to employees under the Pre-IPO Share Option Scheme					
— Shares issued and proceeds received	(a)	**1,405,030**	**—**	**1**	**5,035**
Release of ordinary shares from Share Scheme Trusts	(b)	**—**	**4**	**26**	**146,894**
As at June 30, 2018		**6,277,727,504**	**620**	**4,107**	**34,561,347**
At January 1, 2017		176,270,290	13	83	505,524
Cancellation of ordinary shares		(41,271,230)	—	—	—
As at June 30, 2017		134,999,060	13	83	505,524

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 Share capital and share premium (continued)

Notes:

(a) During the six months ended June 30, 2018, 1,405,030 pre-IPO share options with exercise price of US$0.0014 were exercised.

(b) 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 above mentioned 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 June 30, 2018, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834. During the six months ended June 30, 2018, 40,987,142 ordinary shares held by Share Scheme Trusts were issued and outstanding.

20 Share-based payments

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

The total expenses recognized in the interim condensed consolidated income statement for share-based awards granted to the Group's employees are RMB191,399,000 for the period ended June 30, 2018 (six months ended June 30, 2017: RMB16,945,000).

The exercise price of the granted options to employees shall be US$0.0014. The options have graded vesting terms determined in the grant letter, on the condition that employees remain in service without any performance requirements. The vesting dates 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	**–**
Capitalization Issue	**–**
Exercised during the year	**(42,392,172)**
Forfeited during the year	**(6,942,796)**
Outstanding as at June 30, 2018	**343,094,741**
Vested as of June 30, 2018	**192,939,638**

20 Share-based payments (continued)

(b) 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 June 30, 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%).

21 Trade payables

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Trade payables	**858,018**	947,751

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

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Up to 3 months	**213,551**	692,245
3 to 6 moths	**406,352**	140,823
6 months to 1 year	**185,342**	59,738
Over 1 year	**52,773**	54,945
	858,018	947,751

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 Other payables and accruals

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Deposits payable	**323,404**	291,960
Advance from customers	**321,736**	240,590
Interest payables	**239,848**	88,721
Deferred revenue — current	**90,087**	81,629
Staff costs and welfare accruals	**88,903**	101,791
Accrued expenses	**76,616**	120,440
Other payables to related parties for goods and services (Note 26)	**76,360**	81,818
Loans payable to Bitauto Group (Note 26)	**—**	200,132
Others	**179,752**	102,849
	1,396,706	1,309,930

As at June 30, 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.

23 Borrowings

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Included in non-current liabilities:		
Pledge borrowings	**704,600**	50,000
Borrowings guaranteed by Bitauto Group (Note 26(a)(ix))	**—**	471,200
Asset-backed securitization debt	**4,351,409**	2,611,821
Other secured borrowings	**3,389,771**	3,443,912
Unsecured borrowings	**1,123,236**	1,109,160
	9,569,016	7,686,093
Included in current liabilities:		
Pledge borrowings	**489,400**	100,000
Borrowings guaranteed by Bitauto Group (Note 26(a)(ix))	**471,400**	400
Asset-backed securitization debt	**8,784,529**	6,165,429
Other secured borrowings	**8,859,270**	8,974,174
Unsecured borrowings	**851,561**	2,169,039
	19,456,160	17,409,042
Total borrowings	**29,025,176**	25,095,135

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 Borrowings (continued)

The borrowings are repayable as follows:

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Within 1 year	19,456,160	17,409,042
Between 1 and 2 years	8,623,467	6,460,793
Between 2 and 5 years	945,549	1,225,300
	29,025,176	25,095,135

24 Deferred income taxes

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 RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At January 1, 2018	(1,707)	(14,322)	(16,029)
Credited to consolidated income statement	(646)	13,691	13,045
At June 30, 2018	(2,353)	(631)	(2,984)
At January 1, 2017	—	(15,639)	(15,639)
Business combination	—	(4,297)	(4,297)
Disposal of a subsidiary	—	3,474	3,474
Credited to consolidated income statement	(1,707)	1,043	(664)
At December 31, 2017	(1,707)	(15,419)	(17,126)

24 Deferred income taxes (continued)

Deferred income tax assets	Provision for credit losses of finance receivables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At December 31, 2017	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 to consolidated income statement	23,521	3,009	1,762	28,292
At June 30, 2018	111,226	7,809	4,135	123,170
At January 1, 2017	5,622	—	—	5,622
2017 Reorganization	—	(1,806)	—	(1,806)
Credited to consolidated income statement	8,841	3,868	—	12,709
At June 30, 2017	14,463	2,062	—	16,525

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Purchase of automobiles	**520,354**	503,903

(b) Operating lease commitments

The Group leases office 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 of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
Within 1 year	**41,101**	33,144
Later than 1 year and no later than 5 years	**62,203**	48,689
Later than 5 years	**—**	1,823
	103,304	83,656

26 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) 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):

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
(i) Provision of transaction services to related parties		
Controlling shareholder and its subsidiaries	**65,734**	61,974
Associate	**6,000**	—
Significantly influenced by the controlling shareholder	**—**	1,556
	71,734	63,530
(ii) Provision of financial services to related parties		
Controlling shareholder and its subsidiaries	**14,778**	—
Significantly influenced by the controlling shareholder	**—**	6,081
	14,778	6,081
(iii) Purchases of advertising services from related parties		
Controlling shareholder and its subsidiaries	**938**	22,889
Significantly influenced by the controlling shareholder	**359**	403
	1,297	23,292
(iv) Purchases of used car valuation services from a related party		
Significantly influenced by the controlling shareholder	**10,359**	5,867
	10,359	5,867

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 Related party transactions (continued)

(a) Significant transactions with related parties (continued)

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Audited
(v) Purchase of promotional materials from a related party		
Subsidiary of a shareholder that has significant influence on the Group	**1,115**	12,852
	1,115	12,852
(vi) Purchases of data services and traffic support services from related parties		
Subsidiary of a shareholder that has significant influence on the Group	**737**	—
Significantly influenced by the controlling shareholder	**629**	7,862
An entity under common control with another entity which can exercise significant influence on the Group	**576**	—
	1,942	7,862
(vii) Purchases of vehicles from a related party		
Significantly influenced by the controlling shareholder	**13,984**	—
	13,984	—
(viii) Purchase of structured financing services from related parties		
Subsidiaries of shareholders that have significant influence on the Group	**8,667**	—
	8,667	—

(ix) From time to time, Bitauto Group may provide guarantees for the Group's borrowings. As at June 30, 2018, borrowings amounting RMB471,400,000 (2017: RMB471,600,000) are collateralized by a pledge of Bitauto Group's term deposits with carrying values of RMB529,328,000 (2017: RMB522,560,000).

26 Related party transactions (continued)

(b) Year end balances with related parties

	As of June 30, 2018 RMB'000 Unaudited	As of December 31, 2017 RMB'000 Audited
(i) Receivables due from related parties		
Controlling shareholder and its subsidiaries	**132,861**	78,312
Associate	**–**	9,593
Significantly influenced by the controlling shareholder (a)	**119,035**	127,964
Key management personnel	**385**	604
	252,281	216,473
(ii) Trade and other payables due to related parties for goods and services		
Controlling shareholder and its subsidiaries	**74,501**	75,318
Subsidiaries of shareholders that have significant influence on the Group	**2,760**	6,485
Associate	**–**	6,500
Significantly influenced by the controlling shareholder	**481**	5,170
	77,742	93,473
(iii) Prepayments made to related parties		
Controlling shareholder and its subsidiaries	**–**	32
Significantly influenced by the controlling shareholder	**125,260**	118,468
Subsidiary of a shareholder that has significant influence on the Group	**9,905**	9,450
	135,165	127,950
(iv) Loans from related parties		
Loans from controlling shareholder and its subsidiaries	**398,563**	200,132
Loans from Subsidiary of a shareholder that has significant influence on the Group	**–**	200,802
	398,563	400,934

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 Related party transactions (continued)

(b) Year end balances with related parties (continued)

Note:

(a) In January and February 2017, the Group provided unsecured loans for a total of RMB20,000,000 to Wuhan Kuantu with an initial term of 12 months at an interest rate of 1.5% per annum. As at December 31, 2017, a provision of RMB15 million was recorded against the loan balance, based on the amount the Group expected to recover from Wuhan Kuantu. As at June 30, 2018, an additional provision of RMB5 million was recorded against the loan balance, representing the management's best estimate of recovery based on updated information.

Except for the related parties transactions disclosed under Note 26(b) (ii) and Note 26(b) (iv), balances with other related parties were all unsecured, interest-free, and repayable on demand.

27 Subsequent event

On June 13, 2018, the Company announced that it and Yusheng entered into the Convertible Note Purchase Agreement, the Business Cooperation Agreement and the Framework Agreement in relation to the Company's investment in Yusheng by way of subscription for the Convertible Note.

Pursuant to the Convertible Note Purchase Agreement, Yusheng agreed to issue, and the Company agreed to purchase, the Convertible Note for the principal amount of US$260 million (equivalent to approximately HK$2,040 million). Assuming full conversion, the Series Pre-A Preferred Shares convertible under the Convertible Note will 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 by certain other investors under the Securities Subscription Agreement and that all the equity securities which Yusheng intends to reserve for issuance pursuant to its future employee equity incentive plan have been issued.

In announcement, as the 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) which will be payable by the Company with its own internal resources, and (ii) provide the Cooperation to Yusheng and/or its affiliates pursuant to the terms of the Business Cooperation Agreement.

Pursuant to the above announcement, the subscription for the convertible note issued by Yusheng was closed on July 16, 2018.

DEFINITIONS

"affiliate(s)"	any company that directly or indirectly controls, is controlled by or is under common control of the company in question, provided that control shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management of a company, whether through the ownership of voting securities, by contract, credit arrangement or proxy, as trustee, executor, agent or otherwise, and accordingly, for the purpose of the definition of affiliate(s), a company shall be deemed to control another company if such first company, directly or indirectly, owns or holds more than 50% of the voting equity securities in such other company, and terms deriving from control, such as "controlling" and "controlled", shall have a meaning corollary to that of control
"Articles of Association"	the amended articles of association of the Company adopted on November 1, 2017 and effected on November 16, 2017 (the Listing Date), as amended from time to time
"Asset Transfer Agreements"	the ancillary asset transfer agreements annexed to the Framework Agreement to be entered into by and among the respective subsidiaries or affiliates of the Company and Yusheng
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee 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 10 July 2014 and our wholly-owned subsidiary

DEFINITIONS

"Beijing Yixin"	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息科技有限公司), a company established under the laws of the PRC and the Consolidated Affiliated Entity
"Bitauto"	Bitauto Holdings Limited, a company incorporated under the laws of the Cayman Islands and currently listed on the New York Stock Exchange (NYSE: BITA), and one of the Controlling Shareholders
"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 and one of the Controlling Shareholders of the Company
"Board"	the Board of Directors
"Business Cooperation Agreement"	the business cooperation agreement dated June 13, 2018 entered into between the Company and Yusheng
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China and, for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	Yixin Group Limited (易鑫集団有限公司), (formerly known as Yixin Capital Limited) an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of when are listed on the Main Board of the Stock Exchange (Stock Code: 2858)
"Company's Securities Dealing Code"	the Company's own code of conduct for securities transactions regarding the Directors' dealings in the securities of the Company on terms no less exacting than the Model Code
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity"	has the entity we control through the Contractual Arrangements
"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 "— Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this interim report, refers to Bitauto and Bitauto HK and each of them shall be referred to as a controlling Shareholder
"Conversion Price"	US$20.00 (equivalent to approximately HK$156.93) per Conversion Share
"Conversion Share(s)"	Non-voting Series Pre-A Preferred Shares to be issued upon exercise of the Convertible Note at the Conversion Price
"Convertible Note"	the convertible note in the principal amount of US$260 million (equivalent to approximately HK$2,040 million), which is convertible into 13 million Conversion Shares pursuant to the Convertible Note Purchase Agreement
"Convertible Note Purchase Agreement"	the convertible note purchase agreement dated June 13, 2018 entered into between the Company and Yusheng
"Cooperation"	means certain cooperation services to be provided by the Company or its affiliates to the Yusheng Group for a term of twenty (20) years, including traffic support in relation to the Used Automobile Transaction Business, support in relation to certain automobile database, and the Non-compete Undertaking pursuant to the Business Cooperation Agreement
"Director(s)"	the director(s) of the 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

DEFINITIONS

"First Share Award Scheme"	the share award scheme conditionally approved and adopted by our Company on May 26, 2017, and amended on September 1, 2017 and effective from the Listing Date. The principal terms of which are set out in the section headed "Statutory and General Information — Pre-IPO Share Option Scheme and Share Award Schemes — First Share Award Scheme" of the Prospectus
"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 11 December 2001 and amended on 10 September 2008 and 6 February 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
"Framework Agreement"	the framework agreement dated June 13, 2018 entered into between the Company and Yusheng and the annexed Assets Transfer Agreements
"Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entity
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"IPO"	initial public offering

DEFINITIONS

"IPO Proceeds"	the total net proceeds raised during the IPO of the Company amounted to approximately HK$6,508 million (equivalent to approximately RMB5,525 million), after deducting underwriting commissions and other related expenses paid and payable for the Listing
"JD.com"	JD.com, Inc., a company incorporated in the Cayman Islands and listed on Nasdaq Global Select Market (Nasdaq: JD), and a substantial shareholder of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on November 16, 2017
"Listing Date"	November 16, 2017, the date the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock 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
"MIIT"	the Ministry of Industry and Information Technology of PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Non-compete Undertaking"	the Company's undertaking not to, and agreeing to cause the Group not to, directly or indirectly, invest in, manage, own, engage in, operate or control or provide technical, operational or financial assistance to any Used Automobile Transaction Business, other than through a company within the Yusheng Group
"NYSE"	the New York Stock Exchange
"PRC Legal Advisor"	Han Kun Law Offices, the PRC legal adviser to the Company

DEFINITIONS

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on May 26, 2017 and amended on September 1, 2017. The principal terms of which are set out in the section headed "Statutory and General Information — Pre-IPO Share Option and Share Award Schemes — Pre-IPO Share Option Scheme" of the Prospectus
"Prospectus"	the prospectus of the Company dated November 6, 2017
"PwC"	PricewaterhouseCoopers, the Group's auditor
"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
"Reporting Period"	the six months ended June 30, 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 and effective from the Listing Date. The principal terms of which are set out in the section headed "Statutory and General Information — Pre-IPO Share Option and Share Award Schemes" of the Prospectus
"Securities Subscription Agreement"	the securities subscription agreement entered into between Yusheng and certain other investors, including entities affiliated with Tencent and JD.com, pursuant to which Yusheng has agreed to issue and the investors agreed to subscribe for and/or have the option to subscribe for the Series A-1 and Series A-2 Preferred Shares
"Series A-1 Preferred Shares"	Series A-1 preferred shares of Yusheng with a par value of US$0.0001 per share
"Series A-2 Preferred Shares"	Series A-2 preferred shares of Yusheng with a par value of US$0.0001 per share, without voting power

DEFINITIONS

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 and an indirectly wholly-owned subsidiary of the Company
"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 and an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of our company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange (Hong Kong Stock Exchange Stock Code: 700), one of the substantial Shareholder
"Transferred Assets"	certain fixed and intangible assets which will be transferred for the Used Automobile Transaction Business of Yusheng Group pursuant to the Framework Agreement and the Assets Transfer Agreements
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"United States dollars" or "US$"	United States dollars, the lawful currency of the United States

DEFINITIONS

"Used Automobile Transaction Business"	the transaction facilitation services for used automobile purchase, sale, and trade-in, and for the avoidance of doubt, excluding automobile related financing, leasing, and/or insurance businesses
"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 the Company
"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 and a directly wholly-owned subsidiary of the Company
"Yusheng"	Yusheng Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
"Yusheng Group"	Yusheng, its subsidiaries and consolidated affiliate entities
"%"	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 interim 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 interim 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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