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

2017
ANNUAL REPORT


66购车节

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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 (姜東) *(President)*

Non-executive Directors

Mr. James Gordon Mitchell
Mr. Jimmy Chi Ming Lai (賴智明)
Mr. Chenkai Ling (凌晨凱)
Mr. Xuyang Zhang (張旭陽)

Independent non-executive Directors

Mr. Tin Fan Yuen (袁天凡)
Mr. Chester Tun Ho Kwok (郭淳浩)
Ms. Lily Li Dong (董莉)

AUDIT COMMITTEE

Mr. Chester Tun Ho Kwok (郭淳浩) *(Chairman)*
Mr. Tin Fan Yuen (袁天凡)
Ms. Lily Li Dong (董莉)

REMUNERATION COMMITTEE

Mr. Tin Fan Yuen (袁天凡) *(Chairman)*
Mr. Andy Xuan Zhang
Ms. Lily Li Dong (董莉)

NOMINATION COMMITTEE

Mr. Andy Xuan Zhang *(Chairman)*
Mr. Chester Tun Ho Kwok (郭淳浩)
Ms. Lily Li Dong (董莉)

COMPANY SECRETARY

Mr. Man Wah Cheng (鄭文華)

AUTHORISED REPRESENTATIVES

Mr. Andy Xuan Zhang
Mr. Man Wah Cheng (鄭文華)

AUDITOR

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

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Hong Kong

CORPORATE INFORMATION

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Central, Hong Kong

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Cayman Islands

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Shanghai 200127
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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 annual report for the year ended December 31, 2017. The year 2017 marks a milestone for us where we became a public company on November 16, 2017. We appreciate the support from our consumers, Shareholders, business partners and employees.

Results

Total revenues for the year ended December 31, 2017 increased by 162% year on year to RMB3,906 million, mainly due to the increase in both the transaction platform business and the self-operated financing business.

For the year ended December 31, 2017, revenue for the transaction platform business grew 354% year on year, much faster than revenue for the self-operated financing business, which grew 131% year on year.

Adjusted net profit for the year ended December 31, 2017 increased significantly by 366% year on year to RMB464 million, mainly due to the growth in total revenues and the increase in margins.

For the year ended December 31, 2017, we facilitated an aggregate of approximately 490 thousand automobile retail transactions and auto-related transactions, representing approximately an 88% year on year increase.

Business Review and Outlook

Leveraging our leading online automobile retail transaction platform, we are dedicated to developing and strengthening our ecosystem, the participants of which comprise consumers, automakers, auto dealers, auto finance partners, and aftermarket service providers. This ecosystem facilitates transactions throughout consumers' automobile transaction cycles and automobiles' life cycles. We operate our business in two segments: transaction platform business, and self-operated financing business.

Business Highlights

On the Listing Date, we were successfully listed on the Stock Exchange, marking a new milestone for us.

For the year ended December 31, 2017, we facilitated an aggregate of approximately 490 thousand automobile retail transactions and auto-related transactions, representing approximately an 88% year on year increase.

An integral part of our online platform is our omni-channel operational capabilities, which seamlessly integrate our online channels, our transaction service teams, and dealership stores within our auto dealer cooperative network, to offer consumers a convenient and informative automobile transaction experience. As at December 31, 2017, our transaction service teams are comprised of over 3,000 employees and our auto dealer cooperative network is comprised of over 17,000 dealership stores across over 340 cities in over 30 provinces or equivalent regions in China, including 228 independently operated experience stores.

Operational Performance

For the year ended December 31, 2017, our automobile retail transactions and auto-related transactions increased by approximately 88% year on year to approximately 490 thousand, compared to over 260 thousand for the year ended December 31, 2016. Our accumulated total transactions reached over 770 thousand as at December 31, 2017.

CHAIRMAN'S STATEMENT

For the year ended December 31, 2017, our financed automobile transactions increased by approximately 82% year on year to approximately 400 thousand, compared to over 220 thousand for the year ended December 31, 2016. Our accumulated financed automobile transactions reached over 630 thousand as at December 31, 2017.

Financial Performance

Total revenues for the year ended December 31, 2017 increased by 162% year on year to RMB3,906 million, mainly due to the increase of both the transaction platform business and the self-operated financing business.

Among our two business segments, transaction platform business is growing at a faster pace, while self-operated financing business currently accounts for most of our revenues. For the year ended December 31, 2017, the revenue of our transaction platform business was RMB964 million, contributing 25% of our total revenues, representing a 354% increase over the same period in 2016; while the revenue of our self-operated financing business was RMB2,942 million, contributing 75% of our total revenues, representing a 131% increase over the same period in 2016.

Adjusted net profit for the year ended December 31, 2017 increased significantly by 366% year on year to RMB464 million, mainly due to the growth of total revenues and the increase of margins.

Outlook and Strategies

In 2018, we will continue to build on our leading online automobile retail transaction platform and strengthen our ecosystem to better serve our consumers and business partners, as well as bring value to our Shareholders. Our strategies mainly include the following:

- we will continue to promote our brand awareness through marketing campaigns and execute our omni-channel consumer acquisition strategy to grow our user base;

- we plan to expand and enhance cooperation with our business partners to strengthen our ecosystem;

- we are dedicated to constantly improving our IT systems and our data analytics capabilities, to improve our operational efficiencies; and

- we may invest in or acquire businesses that are complementary to our business across the automobile value chain.

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
March 15, 2018

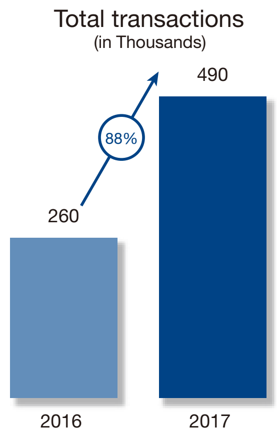
MANAGEMENT DISCUSSION AND ANALYSIS

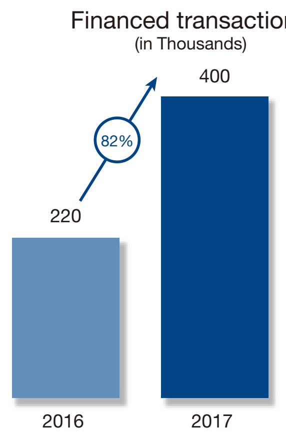
Accumulated total transactions
as at Dec 31, 2017

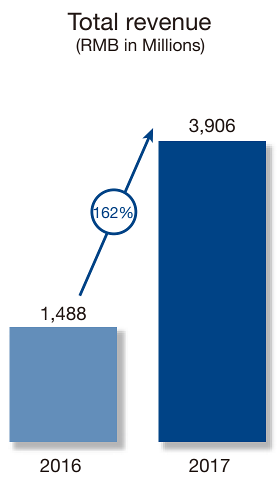
770 thousand

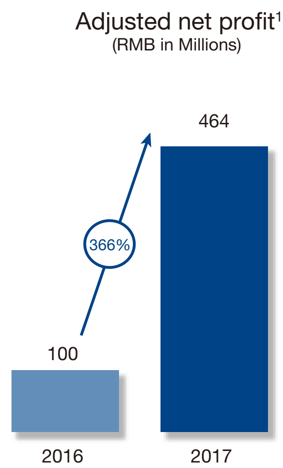
Accumulated total financed transactions
as at Dec 31, 2017

630 thousand









1. Non-IFRSs measure.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table sets forth the comparative figures for the years ended December 31, 2017 and 2016.

	Year ended December 31,		
	2017	2016	Year on year change
	RMB'000	RMB'000	%
Revenues	**3,905,509**	1,487,897	162%
Cost of revenues	**(1,715,596)**	(752,888)	128%
Gross profit	**2,189,913**	735,009	198%
Selling and marketing expenses	**(1,171,112)**	(360,098)	225%
Administrative expenses	**(1,428,069)**	(225,330)	534%
Research and development expenses	**(217,710)**	(71,351)	205%
Other gains, net	**22,392**	17,411	29%
Operating (loss)/profit	**(604,586)**	95,641	-732%
Finance income	**50,081**	15,755	218%
Finance expenses	**(17,353)**	(29,250)	-41%
Fair value loss of convertible redeemable preferred shares	**(17,698,484)**	(1,428,141)	1,139%
Share of profit of investment accounted for using the equity method	**118**	—	N/A
Loss before income tax	**(18,270,224)**	(1,345,995)	1,257%
Income tax expense	**(66,330)**	(58,343)	14%
Loss for the year	**(18,336,554)**	(1,404,338)	1,206%
Non-IFRSs measures (unaudited)			
Adjusted operating profit	**489,447**	150,622	225%
Adjusted net profit	**464,121**	99,665	366%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 162% to RMB3,906 million for the year ended December 31, 2017, compared to RMB1,488 million for the year ended December 31, 2016, due to the increase in both our transaction platform business and our self-operated financing business. The following table sets forth the comparative figures for the years ended December 31, 2017 and 2016.

	Year ended December 31,			
	2017		2016	
	RMB'000	**% of total revenues**	RMB'000	% of total revenues
Revenues				
Transaction Platform Business				
Facilitation and Value-Added Services	**475,445**	**12%**	12,825	1%
Advertising and Subscription Services	**488,455**	**13%**	199,327	13%
Subtotal	**963,900**	**25%**	212,152	14%
Self-Operated Financing Business				
Financing Lease Services	**2,653,071**	**68%**	767,250	52%
Operating Lease Services	**163,640**	**4%**	12,223	1%
Others[(1)]	**124,898**	**3%**	496,272	33%
Subtotal	**2,941,609**	**75%**	1,275,745	86%
Total	**3,905,509**	**100%**	1,487,897	100%

Note:

(1) Include revenues from automobile sales and other revenues.

Transaction platform business

The transaction platform business is comprised of: (i) facilitation and value-added services which include (a) transaction facilitation services, whereby we primarily earn service fees from consumers or auto dealers that have completed transactions through our platform, (b) loan facilitation services, whereby we primarily earn service fees from consumer borrowers or banks that have extended auto loans to consumers, and (c) value-added services, where we primarily generate revenues from auto dealers for sales of vehicle telematics systems, and (ii) advertising and subscription services, whereby we primarily earn advertising fees from automakers, auto dealers, auto finance partners, and insurance companies that have advertised on our platform, services fees from auto dealers for promotional services, and earn subscription fees from those that have subscribed to our membership services.

Revenues from our transaction platform business increased by 354% to RMB964 million for the year ended December 31, 2017, compared to RMB212 million for the year ended December 31, 2016, mainly due to the rapid expansion of our facilitation and value-added services as well as the growth of our advertising and subscription services.

Revenues from our facilitation and value-added services increased by 36 times to RMB475 million for the year ended December 31, 2017, compared to RMB13 million for the year ended December 31, 2016. The increase was primarily due to the fast growth of our transaction facilitation services and the launch of loan facilitation services and sales of vehicle telematics systems.

Revenues from our advertising and subscription services increased by 145% to RMB488 million for the year ended December 31, 2017, compared to RMB199 million for the year ended December 31, 2016, mainly driven by the fast growth of our online consumer base, the increase in our advertising services and promotional services.

Self-operated financing business

The self-operated financing business is comprised of (i) financing lease services, whereby we primarily generate interest revenues from consumers, (ii) operating lease services, whereby we primarily generate rental revenues from consumers, and (iii) others, whereby we primarily generate revenues from sales of automobiles to auto dealers.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues from our self-operated financing business increased by 131% to RMB2,942 million for the year ended December 31, 2017, compared to RMB1,276 million for the year ended December 31, 2016. The growth was primarily due to the growth of our financing lease services, revenues generated from existing financing lease contracts prior to 2017, and to a lesser degree the increase in our operating lease services.

Revenues from our financing lease services increased by 246% to RMB2,653 million for the year ended December 31, 2017 compared to RMB767 million for the year ended December 31, 2016. For the year ended December 31, 2017, we generated RMB1,220 million revenues from new financing lease contracts and RMB1,433 million revenues from existing financing lease contracts prior to 2017. The average yield of our net finance receivables[(1)] was 11.6% in 2017, compared to 11.8% in 2016.

Revenues from our operating lease services increased by 12 times to RMB164 million for the year ended December 31, 2017 compared to RMB12 million for the year ended December 31, 2016.

Revenues from sales of automobiles to auto dealers and others decreased from RMB496 million for the year ended December 31, 2016 to RMB125 million for the year ended December 31, 2017, primarily because of the increased scale of automobile retail transactions we facilitated.

Cost of Revenues

Cost of revenues in our transaction platform business is mainly comprised of commissions associated with facilitation services, costs of vehicle telematics systems, costs associated with advertising and subscription services. Cost of revenues in our self-operated financing business is primarily comprised of funding costs associated with our borrowings, depreciation and other related costs associated with the automobiles used in our operating lease services, and costs of automobiles sold.

Cost of revenues increased significantly by 128% to RMB1,716 million for the year ended December 31, 2017 compared to RMB753 million for the year ended December 31, 2016.

Cost of revenues of our transaction platform business increased by 407% to RMB213 million in 2017 compared to RMB42 million in 2016. The increase was primarily due to the increase of commissions associated with facilitation services, costs of vehicle telematics systems following the commencement of the sales of vehicle telematics system in 2017, and the increase of costs associated with advertising and subscription services.

Note:

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

Cost of revenues of our self-operated financing business increased by 111% to RMB1,503 million in 2017 compared to RMB711 million in 2016, primarily due to the increase of funding costs and partly offset by the decrease of costs of automobiles sold. Funding costs increased to RMB1,138 million in 2017, compared to RMB187 million in 2016, as a result of the fast expansion of our self-operating financing business and the increase of average cost of the interest-bearing liabilities. The average cost of our interest-bearing liabilities[(1)] was 5.6% in 2017, compared to 4.3% in 2016, with the difference primarily due to the decrease in shareholder borrowings.

Gross Profit and Margins

	Year ended December 31,			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Segment gross profit and gross profit margins				
Transaction Platform Business	**751,223**	**78%**	170,218	80%
Self-Operated Financing Business	**1,438,690**	**49%**	564,791	44%
Total	**2,189,913**	**56%**	735,009	49%

Our total gross profit increased by 198% to RMB2,190 million for the year ended December 31, 2017, compared to RMB735 million for the year ended December 31, 2016; and our overall gross profit margin increased to 56% for the year ended December 31, 2017, compared to 49% for the year ended December 31, 2016.

Gross profit of our transaction platform business increased by 341% to RMB751 million in 2017, compared to RMB170 million in 2016, mainly due to revenue growth. Gross profit margin of our transaction platform business decreased slightly to 78% in 2017, compared to 80% in 2016, primarily because the revenue contribution of our facilitation and value-added services increased.

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit of our self-operated financing business increased by 155% to RMB1,439 million in 2017, compared to RMB565 million in 2016, mainly due to the revenue growth and the increase in gross profit margin. Gross profit margin of our self-operated financing business increased to 49% in 2017, compared to 44% in 2016, primarily due to the decrease in revenue contribution of our sales of automobiles. The net interest spread of financing leases(1) was 6.0% in 2017, compared to 7.5% in 2016, primarily because of the increase in average cost of interest-bearing liabilities.

Selling and Marketing Expenses

Selling and marketing expenses increased by 225% to RMB1,171 million for the year ended December 31, 2017, compared to RMB360 million for the year ended December 31, 2016, primarily due to the increase in marketing and advertising expenses, the increase in amortization expenses associated with business cooperation agreements with Bitauto, and the expansion of sales and marketing personnel. Marketing and advertising expenses was RMB468 million in 2017, compared to RMB108 million in 2016. In 2017, share-based compensation expenses for our sales and marketing personnel were RMB13 million.

Administrative Expenses

Our administrative expenses increased by 534% to RMB1,428 million in 2017, compared to RMB225 million in 2016, primarily due to the increase in employee benefit expenses, and provision for credit losses of finance receivables. In 2017, share-based compensation expenses for our administrative personnel were RMB883 million; provision of credit losses of finance receivables was RMB196 million.

Research and Development Expenses

Our research and development expenses increased by 205% to RMB218 million for the year ended December 31, 2017, compared to RMB71 million for the year ended December 31, 2016, 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 RMB17 million in 2017.

Note:

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

Other Gains, Net

Other net gains increased by 29% to RMB22 million for the year ended December 31, 2017, compared to RMB17 million for the year ended December 31, 2016. The increase was primarily attributable to the fair value gain on financial assets and gains on disposal of property and equipment.

Finance Income

Our finance income increased by 218% to RMB50 million for the year ended December 31, 2017, compared to RMB16 million for the year ended December 31, 2016, mainly due to the increase in interest income from our bank deposits.

Finance Expenses

Our finance expenses decreased by 41% to RMB17 million for the year ended December 31, 2017, compared to RMB29 million for the year ended December 31, 2016, primarily due to the decrease in issuance costs of convertible redeemable preferred shares.

Fair Value Loss of Convertible Redeemable Preferred Shares

Fair value loss of convertible redeemable preferred shares increased by 11 times to RMB17.7 billion for the year ended December 31, 2017, compared to RMB1,428 million for the year ended December 31, 2016. Such loss increased significantly because our business and company valuation continued to grow at a fast pace. 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 increased by 14% to RMB66 million for the year ended December 31, 2017, compared to RMB58 million for the year ended December 31, 2016. The increase was primarily attributable to the increase in taxable profit of some of our subsidiaries in China.

Loss for the Year

Our loss was RMB18,337 million for the year ended December 31, 2017, compared to RMB1,404 million for the year ended December 31, 2016, primarily because of fair value loss of convertible redeemable preferred shares.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2017 (2016: nil).

Non-IFRSs Measures

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

Adjusted operating profit eliminates the effect of certain non-cash items and one-time events, namely fair value gain/(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.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Operating (Loss)/Profit	**(604,586)**	95,641
Add:		
Fair value (gain)/loss on financial assets	**(6,829)**	17,126
Amortization of intangible assets resulting from asset and business acquisitions	**133,483**	32,042
Share-based compensation expenses	**913,033**	5,813
Listing expenses	**54,346**	—
Adjusted Operating Profit (unaudited)	**489,447**	150,622

	2017	2016
	RMB'000	RMB'000
Operating (loss)/profit of transaction platform business	**(111,797)**	7,322
Add:		
Fair value (gain)/loss on financial assets	**(6,829)**	17,126
Amortization of intangible assets resulting from asset and business acquisitions	**39,060**	5,729
Share-based compensation expenses	**246,287**	1,805
Listing expenses	**13,413**	—
Adjusted Operating Profit of Transaction Platform Business (unaudited)	**180,134**	31,982

MANAGEMENT DISCUSSION AND ANALYSIS

	2017 RMB'000	2016 RMB'000
Operating (loss)/profit of self-operated financing business	**(492,789)**	88,319
Add:		
Amortization of intangible assets resulting from asset and business acquisitions	**94,423**	26,313
Share-based compensation expenses	**666,746**	4,008
Listing expenses	**40,933**	—
Adjusted Operating Profit of Self-Operated Financing Business (unaudited)	**309,313**	118,640

	2017 RMB'000	2016 RMB'000
Net Loss	**(18,336,554)**	(1,404,338)
Add:		
Fair value loss of convertible redeemable preferred shares	**17,698,484**	1,428,141
Fair value (gain)/loss on financial assets, net of tax	**(5,122)**	17,126
Amortization of intangible assets resulting from asset and business acquisitions, net of tax	**131,343**	31,704
Share-based compensation expenses	**913,033**	5,813
Issuance costs of convertible redeemable preferred shares, net of tax	**14,318**	21,219
Listing expenses, net of tax	**48,619**	—
Adjusted Net Profit (unaudited)	**464,121**	99,665

Adjusted Operating Profit and Margins

	Year ended December 31,			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Segment adjusted operating profit and operating margins (unaudited):				
Transaction Platform Business	**180,134**	**19%**	31,982	15%
Self-Operated Financing Business	**309,313**	**11%**	118,640	9%
Total	**489,447**	**13%**	150,622	10%

Our adjusted operating profit increased by 225% to RMB489 million for the year ended December 31, 2017, compared to RMB151 million for the year ended December 31, 2016, and our overall adjusted operating profit margin increased to 13% for the year ended December 31, 2017, compared to 10% for the year ended December 31, 2016.

Adjusted operating profit of our transaction platform business increased by 5 times to RMB180 million in 2017, compared to RMB32 million in 2016, mainly due to revenue growth and the increase in operating margin. Adjusted operating profit margin of our transaction platform business increased to 19% in 2017, compared to 15% in 2016, primarily due to economy of scale.

Adjusted operating profit of our self-operated financing business increased by 161% to RMB309 million in 2017, compared to RMB119 million in 2016, mainly due to revenue growth and the increase in operating profit margin. Adjusted operating profit margin of our self-operated financing business increased to 11% in 2017, compared to 9% in 2016, primarily due to the increase in gross margin.

Adjusted Net Profit and Margin

Our adjusted net profit increased by 366% to RMB464 million for the year ended December 31, 2017, compared to RMB100 million for the year ended December 31, 2016, primarily due to the increase in revenue and net profit margin; and our adjusted net profit margin increased to 12% for the year ended December 31, 2017, compared to 7% for the year ended December 31, 2016, primarily due to the increase in gross margin and operating margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Selected Financial Information from Our Consolidated Balance Sheet

	As at December 31,		
	2017	2016	Year on year change
	RMB'000	RMB'000	%
Total finance receivables	**29,912,822**	14,363,866	108%
Cash and cash equivalent	**5,824,706**	660,852	781%
Total borrowings	**25,095,135**	11,319,427	122%
Current assets	**21,005,233**	10,559,715	99%
Current liabilities	**19,684,328**	10,034,675	96%
Net current assets	**1,320,905**	525,040	152%
Total equity	**15,342,023**	(1,384,475)	N/A
Convertible redeemable preferred shares	**—**	8,071,817	N/A

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 significantly to RMB29.9 billion as at December 31, 2017, compared to RMB14.4 billion as at December 31, 2016, primarily due to the rapid 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.

We expect that the adoption of the new IFRS 9 standard on January 1, 2018 will impact the level of provision for credit losses of its finance receivables. While the impairment model is based on various assumptions, judgements and estimation techniques that remain subject to change until we finalizes its financial statements for the year ending December 31, 2018, we currently expect the adoption will increase the level of provision for credit losses of its finance receivables on January 1, 2018 and provision charge of the year 2018, and correspondingly reduce our net assets and profits. For details, please refer to Notes 2 to the consolidated financial statements.

The following table sets forth our net finance receivables, the amount of net finance receivables that are past due for 30+ days, 90+ days or 180+ days 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 December 31,	
	2017	2016
	(RMB'000, except for percentage)	
Finance receivables, net	**30,046,991**	14,386,352
Provision for credit losses	**(134,169)**	(22,486)
Provision to net finance receivables ratio(1)	**0.45%**	0.16%
30+ days past due net finance receivables(2)	**444,388**	97,505
90+ days past due net finance receivables(3)	**245,717**	57,174
180+ days past due net finance receivables(4)	**68,647**	19,590
30+ days past due ratio(5)	**1.48%**	0.68%
90+ days past due ratio(6)	**0.82%**	0.40%
180+ days past due ratio(7)	**0.23%**	0.14%
30+ days past due coverage ratio(8)	**30.2%**	23.1%
90+ days past due coverage ratio(9)	**54.6%**	39.3%
180+ days past due coverage ratio(10)	**195.4%**	114.8%

Notes:

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

(2) Net finance receivables that have been past due for over 30 days, which include those past due for 1 to 3 months, 3 to 6 months and over 6 months.

(3) Net finance receivables that have been past due for over 90 days, which include those past due for 3 to 6 months and over 6 months.

(4) Net finance receivables that have been past due for over 6 months.

(5) 30+ days past due net finance receivables divided by net finance receivables.

(6) 90+ 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) Provision for credit losses divided by 30+ days past due net finance receivables.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at December 31, 2017, our 30+ days past due ratio, 90+ days past due ratio, and 180+ days past due ratio was 1.48%, 0.82% and 0.23%, respectively, and our 30+ days past due coverage ratio, 90+ days past due coverage ratio, and 180+ days past due coverage ratio was 30.2%, 54.6% and 195.4%, respectively.

Since we have only recently entered into the self-operated financing business, our historical past due ratios and other information about our asset quality are not indicative of our future past due ratios and our other asset quality information in the future.

Cash and Cash Equivalents

As at December 31, 2017, we had cash and cash equivalent of RMB5,825 million, as compared with RMB661 million as at December 31, 2016. The increase in cash and cash equivalents was mainly due to the cash proceeds raised from the initial public offering (the "**IPO**") that was completed in November 2017 and the cash proceeds raised from our Series C convertible redeemable preferred shares issued in May 2017.

Borrowings

As at December 31, 2017, our total borrowings were RMB25.1 billion, compared to RMB11.3 billion as at December 31, 2016. Total borrowings were comprised of (i) bank loans and borrowings from other institutions of RMB16.3 billion and (ii) asset-backed securities debt of RMB8.8 billion as at December 31, 2017.

On January 15, 2018, Shanghai Yixin, 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 published on the Stock Exchange's website and the Company's website.

Net Current Assets

Our net current assets were RMB1,321 million as at December 31, 2017, compared to RMB525 million as at December 31, 2016. Our current assets were RMB21.0 billion as at December 31, 2017, compared to RMB10.6 billion as at December 31, 2016, primarily due to the increase in current finance receivables and cash and cash equivalents. Our current liabilities were RMB19.7 billion as at December 31, 2017, compared to RMB10.0 billion as at December 31, 2016, primarily due to the increase in current borrowings.

Total Equity and Convertible Redeemable Preferred Shares

As at December 31, 2017, our total equity was RMB15.3 billion, compared to negative equity of RMB1.4 billion as at December 31, 2016, as all our convertible redeemable preferred shares were automatically converted into ordinary shares on the Listing Date and accounted for as an increase in equity at IPO offer price. At the same time, our convertible redeemable preferred shares decreased to zero as at December 31, 2017, compared to RMB8.1 billion as at December 31, 2016.

Key Financial Ratios

	As at December 31,	
	2017	2016
Current ratio (times)[1]	**1.07**	1.05
Gearing ratio (%)[2]	**55%**	121%

Notes:

(1) Current ratio is our current assets divided by our current liabilities at the end of each financial period.

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

Current Ratio

Our current ratio increased slightly to 1.07 as at December 31, 2017, compared to 1.05 as at December 31, 2016.

Gearing Ratio

Our gearing ratio decreased to 55% as at December 31, 2017, compared to 121% as at December 31, 2016, mainly due to the increase of total equity to RMB15.3 billion after our listing on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Purchase of property and equipment	**46,267**	21,161
Purchase of intangible assets	**23,624**	31,647
Investments in financial assets at fair value through profit or loss	**—**	150,000
Investment in an associate in the form of ordinary shares	**15,933**	—
Total	**85,824**	202,808

Foreign Exchange Risk

Our Group's subsidiaries primarily operate in the People's Republic of China (the "**PRC**") and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2017 and 2016.

Details of the currencies in which cash and cash equivalents are held and in which borrowings are made are set out in Note 20 and Note 27 to the 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.

Employee and Remuneration Policy

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

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

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

The total remuneration cost incurred by the Group for the year ended 31 December 2017 was RMB1,620 million (2016: RMB302 million).

Material Acquisitions and Disposals

Save as disclosed in this annual report, the Group did not have any other material acquisitions and disposals of subsidiaries or associated companies for the year ended December 31, 2017.

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 20 and 27 to the consolidated financial statements.

Contingent Liabilities

As at December 31, 2017, we did not have any material contingent liabilities (2016: nil).

DIRECTORS AND SENIOR MANAGEMENT

Our Directors

The biography of each Director is set out below.

Executive Directors

Mr. Andy Xuan Zhang, aged 42, is the Chief Executive Officer, executive Director and chairman of the Board. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is responsible for the overall strategic planning and business direction of the Group and management of the Company. Mr. Zhang joined the Group in December 2013. Mr. Zhang has over 15 years of operational and managerial experience with both multinational companies and local Chinese companies in Internet, automobile and finance industries. Mr. Zhang held numerous positions in Bitauto, including vice-president of finance from 2006 to 2009, chief financial officer from 2009 to 2016, chief operating officer from 2015 to 2016, and president from August 2016 to January 2018. He has also served as a director and the chief executive officer of Bitauto since March 2017 and January 2018, respectively. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its successful listing on the NYSE in November 2010.

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

Mr. Dong Jiang (姜東), aged 46, is an executive Director and president of the Company (the "**President**"). He joined the Company in March 2015 and was the chief operating officer of the Company from June 2017 to December 2017. Mr. Jiang is primarily responsible for overseeing the day-to-day operations of the Company. Prior to joining our Group, from February 2011 to March 2015, Mr. Jiang was group deputy manager of China Grand Automotive Services Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600297). From January 2008 to January 2010, he was senior vice president of China Auto Rental Inc. (now known as CAR Inc.), a company listed on the Main Board of the Stock Exchange in 2014 (stock code: 699).

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

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. James Gordon Mitchell, aged 44, is a non-executive Director. Mr. Mitchell joined our Group in June 2017. He has served as the chief strategy officer and senior executive vice president of Tencent since July 2011. From January 2000 to June 2011, he held various positions at Goldman Sachs including managing director.

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

Mr. Mitchell obtained his bachelor's degree in history from the University of Oxford in July 1995.

Mr. Jimmy Chi Ming Lai (賴智明), aged 45, is a non-executive Director. Mr. Lai joined our Group in June 2017. He has been the vice president of Tencent since October 2017 and head of the financial technology group of Tencent since 2015. Mr. Lai was formerly the general manager of Tencent from 2011 to 2015 and the general manager of Tencent's QQ membership division from 2009 to 2011.

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

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

Mr. Chenkai Ling (凌晨凱), aged 41, is a non-executive Director. Mr. Ling joined our Group in June 2017. He has been the vice president of strategy and operational improvement of JD.com since July 2016. Prior to this, he worked at Bain & Company, Inc. from August 2008, and was serving as a principal of the firm when he left in July 2016.

* for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Xuyang Zhang (張旭陽), aged 46, is a non-executive Director. Mr. Zhang joined our Group in June 2017. He has been the vice president of Baidu since June 2016. Prior to that, he held various positions at China Everbright Bank from July 1997 to June 2016, including General Manager of the Asset Management department (from May 2013 to June 2016), General Manager of the Retail Business department (from September 2009 to May 2013) and Division Head of the Foreign Exchange and Structured Products Division of the Investment Banking department (from September 2005 to April 2006).

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

Independent non-executive Directors

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

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

- Agricultural Bank of China Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1288) and the Shanghai Stock Exchange (stock code: 601288), as an independent non-executive director since March 2013;

- Pacific Century Regional Developments Limited, a company listed on the Singapore Exchange Limited (stock code: P15), as an independent non-executive deputy chairman since February 2015; and

- Shanghai Industrial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 363), as an independent non-executive director since July 2016.

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

Mr. Chester Tun Ho Kwok (郭淳浩), aged 54, is an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee. Mr. Kwok joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. Since January 2016, Mr. Kwok has been an independent non-executive director and a member of the audit committee and investment committee of Henderson Sunlight Asset Management Limited, the manager of Sunlight Real Estate Investment Trust listed on the Main Board of the Stock Exchange (stock code: 435). He has also served as the deputy chairman and a member of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission since April 2017 and April 2013, respectively, as well as a member of the Process Review Panel of the Securities and Futures Commission since November 2016. Mr. Kwok was also a member of the Takeovers and Mergers Panel of the Securities and Futures Commission from April 2007 to March 2016.

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

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

Ms. Lily Li Dong (董莉), aged 47, is an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Dong joined our Group in June 2017 and was appointed as independent non-executive Director on November 6, 2017. From August 2015 to June 2017, Ms. Dong was the chief financial officer of eDaijia, an online designated driver service provider. Prior to this, she served as chief financial officer at RDA Microelectronics, Inc., a company previously

DIRECTORS AND SENIOR MANAGEMENT

listed on Nasdaq Global Select Market (NASDAQ: RDA) **("RDA")**, a fabless semiconductor company, from November 2007 to July 2015, and was its director from January 2014 to July 2015. Ms. Dong has extensive experience as a finance and management professional and led the initial public offering process of RDA. Prior to this, Ms. Dong worked for Hewlett-Packard in China since 1992, and was the Finance Operations Manager of Hewlett-Packard Technology (Shanghai) Co., Ltd. *(惠普科技（上海）有限公司) when she left in 2005.

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

Our senior management

Mr. Andy Xuan Zhang, aged 42, is the Chief Executive Officer, executive Director and Chairman of the Board. For further details, please see the paragraph headed "Directors and Senior Management — Our Directors — Executive Directors" in this section.

Mr. Dong Jiang (姜東), aged 46, is our President and executive Director of our Company. For further details, please see the paragraph headed "Directors and Senior Management — Our Directors — Executive Directors" in this section.

Ms. Xiaozheng Liu (劉曉鉦), aged 40, is our Chief Financial Officer and joined our Group in April 2017. Ms. Liu is primarily responsible for corporate finance, investor relations, investments and acquisitions, strategy and legal matters of the Group. Between September 2015 and April 2017, Ms. Liu was chief strategy officer of Qihoo 360 Technology Co. Ltd, a company listed on the Shanghai Stock Exchange (stock code: 601360) and previously listed on the NYSE (NYSE: QIHU). Prior to that, Ms. Liu was Head of China Technology Investment Banking Division at Credit Suisse (Hong Kong) Limited, where she worked from June 2011 to September 2015. Prior to that, she was the vice president in China Investment Banking Division at Citigroup Global Markets Asia Limited, where she worked from October 2009 to June 2011.

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

Mr. Zhi Gao (高翊), aged 46, is our Chief Operating Officer and joined our Group in September 2016. Mr. Gao is primarily responsible for managing auto finance operations of our Group. Prior to joining our Group, Mr. Gao

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worked at Coca-Cola Industries Management (Shanghai) Co., Ltd (可口可樂企業管理（上海）有限公司) from April 2002 to August 2016, and was serving as duty general manager and market executive head of Coca-Cola Bottling Plant prior to his departure.

Mr. Gao received his bachelor's degree in chemical engineering from Dalian Polytechnic Academy (大連輕工業學院) (currently known as Dalian Polytechnic University (大連工業大學)) in July 1993, and his executive master's degree in business administration from Dalian University of Technology in June 2015.

Mr. Zhifeng Jia (賈志峰), aged 44, is our Chief Technology Officer and joined our Group in May 2017. Mr. Jia is primarily responsible for developing our technology and data platform, as well as overseeing our Group's technology initiatives and strategies. Prior to joining our Group, Mr. Jia served as Vice President of Engineering at Autohome, Inc., a company listed on the NYSE (NYSE: ATHM) where he worked from April 2011 to April 2017. Prior to that, Mr. Jia served as Senior Director of Engineering at eLong, Inc. (藝龍旅行網), a company previously listed on Nasdaq Global Select Market (NASDAQ: LONG), where he worked from February 2008 to April 2011.

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

Mr. Yongfeng Yang (楊永峰), aged 32, is our Senior Vice President of Internet Products and Used Automobile Business and joined our Group in October 2016. Mr. Yang is primarily responsible for management of our Internet products and used automobile business. Prior to joining our Group, from June 2010 to October 2016, Mr. Yang was product operation director of the used automobile division of Autohome, Inc., a company listed on the NYSE (NYSE: ATHM).

Mr. Yang received his bachelor's degree in plant science and technology from Northwest A&F University in July 2007.

Mr. Wei Li (李威), aged 39, is our Assistant Vice President of Business Development and joined our Group in December 2013. Mr. Li is primarily responsible for management of business development. Prior to joining our Group, Mr. Li held various positions at Bitauto starting from January 2006.

Mr. Li completed a bachelor's course in business administration in the Liaoning University of Technology in July 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang Chen (陳昶), aged 36, is our assistant vice president of information technology and joined our Group in December 2013. He is primarily responsible for IT operations. Prior to joining our Group, Mr. Chen held various positions at Bitauto starting March 2005, handling systems and network operations and maintenance.

Mr. Chen received his college degree in computer applications from Anhui University in July 2002.

Company Secretary

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

Changes in Information of the Directors

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

(a) Mr. Dong Jiang ceased to be the chief operating officer and was appointed as the President in December 2017.

(b) Mr. Andy Xuan Zhang ceased to be president and was appointed as chief executive officer of Bitauto in January 2018.

REPORT OF THE DIRECTORS

Report of the Directors

The Directors present their report together with the consolidated financial statements of the Group for the year ended December 31, 2017.

Listing of the Company

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

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

Principal Activities

The Group is principally engaged in the operation of an online automobile retail transaction platform in China. The Group operates its business in two segments by leveraging its online platform: (i) transaction platform business, where we primarily facilitate automobile purchase transactions by consumers, facilitate auto loans to consumers offered by our auto finance partners, provide value-added services such as sales of vehicle telematics systems to auto dealers, and provide advertising and subscription services for automakers, auto dealers, auto finance partners and insurance companies; and (ii) self-operated financing business, where we primarily provide consumers with auto finance solutions through financing leases and operating leases.

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

Use of Net Proceeds from the Listing

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

REPORT OF THE DIRECTORS

As at December 31, 2017, the Group had utilised the proceeds as set out in the table below:

	Net proceeds from Global Offering		Utilisation in 2017		Unutilised amount	
	HK$ '000	RMB'000	HK$ '000	RMB'000	HK$ '000	RMB'000
Sales and marketing initiatives	1,952,278	1,657,523	363,790	308,865	1,588,488	1,348,658
Research and technology capabilities enhancement	1,301,519	1,105,016	25,239	21,428	1,276,280	1,083,588
Self-operated financing business	1,301,519	1,105,016	958,923	814,145	342,596	290,871
Potential investments or acquisitions	1,301,519	1,105,016	–	–	1,301,519	1,105,016
Working capital and other general corporate purposes	650,760	552,506	535,768	454,878	114,992	97,628
Total	**6,507,595**	**5,525,077**	**1,883,720**	**1,599,316**	**4,623,875**	**3,925,761**

Business Review

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

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

Results

The results of the Group for the year ended December 31, 2017 are set out in the consolidated income statement on page 111 of this annual report.

The Directors did not recommend the payment of a final dividend for the year ended December 31, 2017 (2016: nil).

Share Capital

Details of movements in the share capital of the Company for the year ended December 31, 2017 are set out in Note 21 to the consolidated financial statements.

Reserves

As at December 31, 2017, the Company had distributable reserves amounting to RMB16,216,120,000 (2016: nil).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2017 are set out in the consolidated statement of changes in equity on pages 115 to 116 and in Note 38(b) to the consolidated financial statements, respectively.

Property and Equipment

Details of movements in the property and equipment of the Group during the year ended December 31, 2017 are set out in Note 12 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 39 to the consolidated financial statements.

Debentures and Borrowings

As at December 31, 2017, our total borrowings were RMB25.1 billion, compared to RMB11.3 billion as at December 31, 2016. Total borrowings comprised (i) bank loans and borrowings from other institutions of RMB16.3 billion; and (ii) ABSs debt of RMB8.8 billion as at December 31, 2017. Details of the Group's borrowings are set out in Note 27 to the consolidated financial statements.

The Group has not issued any debenture during the Reporting Period (2016: nil).

Donations

During the year ended December 31, 2017, the Group made charitable donations of HK$1 million (2016: nil).

Four-Year Financial Summary

A summary of the condensed consolidated results and financial positions of the Group is set out on page 246 of this annual report.

REPORT OF THE DIRECTORS

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

During the period from the Listing Date to December 31, 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Emolument Policy and Directors' Remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme, the First Share Award Scheme and the Second Share Award Scheme (as defined below). Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 35, Note 8(a) and Note 8(b), respectively, to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and certain amount of emoluments has been paid by the Group to the independent non-executive Directors as an inducement to join or upon joining the Group.

Pre-IPO Share Option Scheme and Share Award Schemes

1. Pre-IPO Share Option Scheme

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

Purpose

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

Eligible participants

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

Maximum number of Shares

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

As at December 31, 2017, outstanding options representing 281,862,875 underlying Shares were granted to eligible participants pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are set out in Note 23 to the consolidated financial statements.

Limit for each participant

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

Remaining life of the Pre-IPO Share Option Scheme

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

Consideration

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

Option period

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

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

Exercise price

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

REPORT OF THE DIRECTORS

Details of the movement of the options granted under the Pre-IPO Share Option Scheme from the Listing Date to December 31, 2017 (the "**Period**") are as follows:

Name or category of option holders	Date of grant	Exercise period	Exercise price	Number of options (after completion of the Capitalization Issue) Outstanding as at the Listing Date	Exercised during the Period	Cancelled/Lapsed during the Period	Outstanding as at December 31, 2017
Director and senior management							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from date of grant	US$0.0014	192,599,071	–	–	192,599,071
	October 1, 2017	10 years from date of grant	US$0.0014	65,002,189	–	–	65,002,189
Mr. Zhifeng Jia (賈志峰)	July 3, 2017	10 years from date of grant	US$0.0014	700,000	–	–	700,000
Other grantees							
In aggregate	Between July 3, 2017 and October 1, 2017	10 years from date of grant	US$0.0014	25,339,615	–	(1,778,000)	23,561,615
Total				**283,640,875**	–	**(1,778,000)**	**281,862,875**

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

2. First Share Award Scheme

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

Purpose

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

Eligible participants

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

Awards

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

Granting of awards

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

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

Maximum number of Shares to be awarded

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

As at December 31, 2017, no Shares had been granted or agreed to be granted under the First Share Award Scheme.

Limit for each participant

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

REPORT OF THE DIRECTORS

Termination

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

(a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the First Share Award Scheme or the Listing Date except in respect of any non-vested First Award Shares granted hereunder prior to the expiration of the First Share Award Scheme, for the purpose of giving effect to the vesting of such First Award Shares or otherwise as may be required in accordance with the provisions of the First Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the First Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the First Award Shares already granted to a selected participant.

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

3. Second Share Award Scheme

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

Purpose

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

Eligible participants

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

Awards

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

Granting of awards

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

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

Maximum number of Shares to be awarded

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

As at December 31, 2017, no Shares had been granted or agreed to be granted under the Second Share Award Scheme.

Limit for each participant

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

Termination

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

(a) the end of the period of ten years commencing on the earlier of the passing of a Shareholders' resolution approving the adoption of the Second Share Award Scheme or the Listing Date except in respect of any non-vested Second Award Shares granted hereunder prior to the expiration of the Second Share Award Scheme, for the purpose of giving effect to the vesting of such Second Award Shares or otherwise as may be required in accordance with the provisions of the Second Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Second Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Second Award Shares already granted to a selected participant.

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

REPORT OF THE DIRECTORS

Equity-linked Agreements

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

Directors

The Directors who held office during the year ended December 31, 2017 and up to the date of this report are:

Executive Directors:
Mr. Andy Xuan Zhang (Chairman and Chief Executive Officer)
Mr. Dong Jiang (姜東) (President) (appointed on September 1, 2017)

Non-executive Directors:
Mr. James Gordon Mitchell (appointed on June 28, 2017)
Mr. Jimmy Chi Ming Lai (賴智明) (appointed on June 28, 2017)
Mr. Chenkai Ling (凌晨凱) (appointed on June 28, 2017)
Mr. Xuyang Zhang (張旭陽) (appointed on June 28, 2017)

Independent non-executive Directors:
Mr. Tin Fan Yuen (袁天凡) (appointed on November 6, 2017)
Mr. Chester Tun Ho Kwok (郭淳浩) (appointed on November 6, 2017)
Ms. Lily Li Dong (董莉) (appointed on November 6, 2017)

Ms. Juhong Chen (陳菊紅), Mr. Bin Li (李斌), Mr. Sidney Xuande Huang, Mr. Leiwen Yao (姚磊文), Mr. Shengqiang Chen (陳生強) and Ms. Wei Cai (蔡薇) resigned as Directors on June 28, 2017.

Mr. Andy Xuan Zhang shall retire from the Board at the forthcoming Annual General Meeting pursuant to article 16.18 of the Articles of Association. Mr. Dong Jiang (姜東), Mr. James Gordon Mitchell, Mr. Jimmy Chi Ming Lai (賴智明), Mr. Chenkai Ling (凌晨凱), Mr. Xuyang Zhang (張旭陽), Mr. Tin Fan Yuen (袁天凡), Mr. Chester Tun Ho Kwok (郭淳浩) and Ms. Lily Li Dong (董莉) who were appointed by the Board during the year ended December 31, 2017 shall hold office until the forthcoming Annual General Meeting pursuant to article 16.2 of the Articles of Association. All retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

Board of Directors and Senior Management

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

Directors' Service Contracts

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section "Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2017.

Permitted Indemnity Provision

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

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

Management Contracts

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

REPORT OF THE DIRECTORS

Directors' Rights to Acquire Shares or Debentures

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

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

As at December 31, 2017, 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 issued 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 6,276,322,474 Shares in issue as at December 31, 2017.

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

Name of Director	Nature of interest	Name of associated corporation	Number of underlying shares interested[(2)]	Approximate percentage of issued shares of the associated corporation[(3)]
Andy Xuan Zhang	Beneficial owner	Bitauto	270,052(L)[(1)]	0.37%

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 December 31, 2017.

Save as disclosed above, as at December 31, 2017, 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 December 31, 2017, 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:

REPORT OF THE DIRECTORS

Name of Substantial Shareholder	Nature of interest	Number of Shares interested[5]	Approximate percentage of issued Shares[6]
Bitauto	Beneficial owner	496,544,440(L)	7.91%
Bitauto[1]	Interest of controlled corporation	2,290,292,130(L)	36.49%
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)	36.49%
Tencent[3]	Interest of 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 controlled corporation	684,283,320(L)	10.90%
JD.com[4]	Interest of controlled corporation	684,283,320(L)	10.90%
Max Smart Ltd[4]	Interest of 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 October 31, 2017, Tencent and JD.com granted to Bitauto a voting proxy over Shares representing two-thirds and one-third, respectively, of 10% of the 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, Morespark Limited which holds 267,603,350 Shares, and Tencent Mobility Limited which holds 112,850,990 Shares, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which Dongting Lake Investment Limited, Morespark Limited and Tencent Mobility Limited are interested under the SFO.

(4) JD Financial Investment Limited is wholly owned by JD.com Investment Limited, which in turn is wholly owned by JD.com. JD.com is owned as to 71.70% by Max Smart Ltd. which in turn is wholly owned by UBS Nominees Limited, and UBS Nominees Limited is wholly owned by UBS Trustees (B.V.I.) Limited. Accordingly, each of JD.com Investment Limited, JD.com, Max Smart Ltd, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the same number of Shares in which JD Financial Investment Limited is interested under the SFO.

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

(6) The percentages are calculated on the basis of 6,276,322,474 Shares in issue as at December 31, 2017.

Save as disclosed above, as at December 31, 2017, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Pre-emptive Rights

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

Tax Relief and Exemption

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

Directors' Interests in Competing Business

Save and except for the interests of our Controlling Shareholders in our Company, during the year ended December 31, 2017, 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.

Contracts with Controlling Shareholders

No contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2017.

REPORT OF THE DIRECTORS

Corporate Governance

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

Connected Transactions

Prior to the Listing, the Group has entered into certain transactions and agreements with parties who have become connected persons of the Company upon the Listing. Such pre-existing transactions have become continuing connected transactions of the Company under the Listing Rules following the Listing.

- Bitauto is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding an aggregate of approximately 44.40% of the total number of issued Shares. Pursuant to the Voting Proxy Agreement, Bitauto is able to control an additional 10.00% of our Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Bitauto and its subsidiaries are considered as connected transactions.

- Bitauto HK is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 36.49% of the total number of issued Shares. Pursuant to Rules 14A.07(1) of the Listing Rules, any transactions between the Company and Bitauto HK are considered as connected transactions.

- Tencent is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 20.90% of the total number of issued Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transactions between the Company and Tencent and its subsidiaries are considered as connected transactions.

- JD.com is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 10.90% of the total number of issued Shares. Pursuant to Rules 14A.07(1) and 14A.12 of the Listing Rules, any transactions between the Company and JD.com and its associates are considered as connected transactions.

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

Continuing Connected Transactions	Aggregate Annual Amount for the year ended December 31, 2017 (RMB)	Annual Cap Amount for the year ended December 31, 2017 (RMB)	Annual Cap Amount for the year ending December 31, 2018 (RMB)	Annual Cap Amount for the year ending December 31, 2019 (RMB)
1. Data Services Framework Agreement	1,436,894	13,680,000	21,993,000	34,220,000
2. Cloud Data Management Framework Agreement	168,696	1,200,000	4,000,000	5,000,000
3. Prepaid Card Purchasing Agreement	22,432,292	39,000,000	45,000,000	51,000,000
4. Used Auto Services Agreements	15,263,740	26,800,000	57,120,000	72,120,000
5. Automobile Leasing Framework Agreement	9,592,529	15,000,000	18,000,000	21,600,000
6. Structured Financing Framework Agreement	438,205	20,000,000	70,000,000	N/A
7. Advertising Services Agreements				
C&I Advertising Agreement	19,600,000	45,600,000	N/A	N/A
Chehui Interactive Agreements	2,391,687	40,000,000	N/A	N/A
Total	21,991,687	85,600,000	N/A	N/A
8. Provision of advertising and data services agreements				
Provision of Advertising Framework Agreement	3,544,170	6,000,000	N/A	N/A
Cooperation Framework Agreement				
Online calculator tool	60,000,000	60,000,000	60,000,000	60,000,000
Data analytics report services	15,200,000	15,200,000	14,000,000	14,000,000
Brand promotion services	10,000,000	10,000,000	20,000,000	20,000,000
Traffic support services	44,733,643	45,000,000	54,000,000	72,000,000
Advertising agent services	6,000,000	6,000,000	16,000,000	16,000,000
Total	139,477,813	142,200,000	164,000,000	182,000,000
9. Contractual Arrangements	N/A	N/A	N/A	N/A

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

5. Automobile leasing agreement with Beijing Bitauto Interactive

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

Further details of the Structured Financing Framework Agreement are set out in the announcement of the Company dated December 10, 2017.

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

7. Advertising services agreements

Beijing Yixin and C&I Advertising (an associate of Bitauto) entered into an advertising agreement (the **"C&I Advertising Agreement"**), amended by a supplemental agreement dated August 8, 2017, pursuant to which C&I Advertising agrees to provide services including (i) designing and preparing online marketing materials for us, (ii) publishing the advertising materials on the designated online and mobile app platforms, and (iii) settling all amounts as our agent with the relevant Tencent entity. The term of the agreement is from January 12, 2017 to December 31, 2017.

On March 1, 2017, Beijing Yixin and Beijing Chehui Interactive Advertising Co., Ltd. (北京車慧互動廣告有限公司) (**"Chehui Interactive"**) (a subsidiary of C&I Advertising and an associate of Bitauto) entered into two advertising agreements (the **"Chehui Interactive Agreements,"** together with the C&I Advertising Agreements, the **"Advertising Services Agreements"**), which were both amended by a supplemental agreement dated August 8, 2017. The term of the Chehui Interactive Agreements are from the date of the agreement and will expire on December 31, 2017. Pursuant to the first agreement, Chehui Interactive agrees to (i) promote Beijing Yixin's products on leading Internet platforms, (ii) provide related technical expertise in areas such as big data analysis, advertising and target marketing, and (iii) explore other product promotion activities and platforms. Pursuant to the second agreement, Chehui Interactive agrees to (i) promote Beijing Yixin's products on select platforms, (ii) provide related technical expertise in areas such as data analysis, advertising and target marketing, and (iii) explore other product promotion activities and platforms. The details of each promotional activity would be determined on a project by project basis and specified in a project order form to be sent by Beijing Yixin to Chehui Interactive from time to time during the cooperation period. The price and other material terms would be specified in each order form. The service fees were determined after arm's length negotiation between the parties with reference to rates that are charged by independent third party advertising service providers.

Historically, we have engaged C&I Advertising to provide advertising services to the Group. C&I Advertising provides a spectrum of advertising services from design, consultation, technical and support services related to our advertisements. We chose to engage C&I Advertising as our advertising agent because of its experience in the automobile advertising industry and its ability to negotiate competitive prices with the advertising platform providers. We choose to publish our advertisements on the platforms by operators such as Tencent and Baidu because of their reach and recognition.

Chehui Interactive is an established advertising and marketing company with expertise in auto related industries. Their expertise in auto related advertising and promotion is suitable to meet our needs as our business develops. Chehui Interactive also has access to product promotion platforms associated with leading Chinese internet platforms, which will enable our advertisements to reach a wide audience. Promoting our products on these platforms will enable us to gain more popularity and recognition, and further enhance our business growth.

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

8. Provision of advertising and data services agreements

On August 1, 2017, Beijing Yixin and C&I Advertising (an associate of Bitauto) entered into an provision of advertising services framework agreement (the **"Provision of Advertising Framework Agreement"**) pursuant to which C&I Advertising places advertisements and marketing materials of certain of its customers on our website for which we receive an advertising fee. The term of the Provision of Advertising Framework Agreement commenced on the date of the agreement and will expire on December 31, 2017. The maximum amount payable by C&I Advertising pursuant to the Provision of Advertising Framework Agreement is RMB6 million. The advertising fee were determined after arm's length negotiation between the parties with reference to the rates that we charge to independent third parties and on terms that are no more favorable than the terms offered to independent third parties. The advertising fees and calculation method were agreed between the parties separately.

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

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

Further details of the Provision of Advertising Framework Agreements and Cooperation Framework Agreement are set out in the Prospectus.

Confirmation from the independent non-executive Directors

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the continuing connected transactions of the Group for the year ended December 31, 2017, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into by the Group for the year ended December 31, 2017:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

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

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A summary of all significant transactions with related parties (the **"Related Party Transactions"**) entered into by the Group during the Reporting Period is contained in Note 34 to the consolidated financial statements. During the Reporting Period, other than the Related Party Transactions in Notes 34(c)(i), (iii), (v), (vii), (viii) and (ix) therein constituted continuing connected transactions of the Company which should be disclosed pursuant to the Listing Rules, no related party transactions disclosed in Note 34 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

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9. Contractual Arrangements

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

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

Reasons for the Contractual Arrangements

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

Our Consolidated Affiliated Entity is Beijing Yixin, which was established under the laws of the PRC. We do not directly own any equity interest in Beijing Yixin, which is currently held by Mr. Bo Han (韓波), Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) (**"Shenzhen Tencent"**), Beijing Jiasheng Investment Management Co., Ltd. (北京甲盛投資管理有限公司) (**"Beijing JD"**) as to 55.7%, 26.6% and 17.7%, respectively (the **"Relevant Shareholders"**). Shenzhen Tencent and Beijing JD are both domestic PRC companies and Mr. Han is a PRC national.

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

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

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on August 10, 2017. Under the Contractual Arrangements, Beijing KKC has acquired effective control over the financial and operational policies of Beijing Yixin and has become entitled to all the economic benefits derived from their operations. We believe that the Contractual

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

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

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 57 to 64 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- We rely on contractual arrangements with our variable interest entity and its shareholders for certain of our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

- We conduct our online business operation in the PRC through our Consolidated Affiliated Entity by way of the contractual arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws and our ability to enforce the equity interest pledge agreement between us and the variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

- The shareholders of our Consolidated Affiliated Entity may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- Contractual arrangements with our Consolidated Affiliated Entity and our principal shareholders may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and our Consolidated Affiliated Entity owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

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- Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

Contractual Arrangements in place

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

1. Exclusive Business Cooperation Agreement

   Beijing Yixin entered into an exclusive business cooperation agreement with Beijing KKC on August 10, 2017 (the **"Exclusive Business Cooperation Agreement"**), pursuant to which Beijing Yixin agreed to engage Beijing KKC as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, equipment, leasing, marketing consultancy, customer order management and customer services, system integration and maintenance, in exchange for service fees. Under these arrangements, the service fees shall consist of an amount to be determined by Beijing KKC and Beijing Yixin in writing through negotiation after consideration of certain factors. As of December 31, 2017, the accumulated losses of Beijing Yixin amounted to RMB231 million (2016: RMB71 million). Beijing KKC enjoys all the economic benefits derived from the businesses of Beijing Yixin and bears Beijing Yixin's business risks. If Beijing Yixin runs into financial deficit or suffers severe operation difficulties, Beijing KKC will provide financial support to Beijing Yixin.

2. Exclusive Option Agreements

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

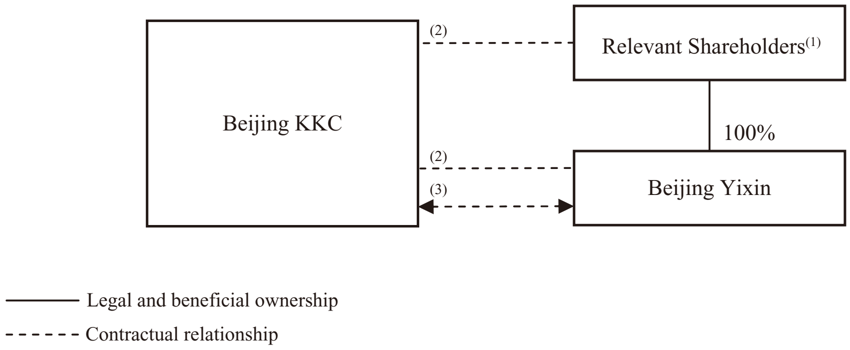
3. Equity Interest Pledge Agreement

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

4. Powers of Attorney

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

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



Notes:

(1) The Relevant Shareholders of Beijing Yixin are Mr. Bo Han (韓波), Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.

(2) The Relevant Shareholders executed the Powers of Attorney in favor of Beijing KKC to exercise all shareholders' rights in Beijing Yixin. Please refer to the Prospectus for further details.

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The Relevant Shareholders executed exclusive options in favor of Beijing KKC to acquire all or part of the equity interest in and/or assets of Beijing Yixin. Please refer to the Prospectus for further details.

The Relevant Shareholders granted first priority security interest in favor of Beijing KKC over the entire equity interest in Beijing Yixin. Please refer to the Prospectus for further details.

(3) Beijing Yixin will pay services fees to Beijing KKC in exchange for business support and technical and consulting services. Please refer to the Prospectus for further details.

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the financial year ended December 31, 2017. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2017.

For the year ended December 31, 2017, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

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

The revenue of Beijing Yixin for the years ended December 31, 2017 and 2016 were RMB101 million and RMB85 million, respectively.

For the year ended December 31, 2017, the revenue of Beijing Yixin amounted to approximately 2.6% (2016: 5.7%) of the revenue for the year of the Group.

Mitigation actions taken by the Company

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

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

All of the Contractual Arrangements are subject to the restrictions as set out on pages 193 to 197 of the Prospectus.

Listing Rule Implications

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

Waiver from the Stock Exchange and annual review

The Stock Exchange has granted the Company a waiver pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the fees payable to Beijing KKC under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) our Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

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 a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology (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

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licenses to only a limited number of foreign-invested companies. If Beijing Yixin has a foreign investor as its shareholder, such foreign investor must fulfill the aforementioned requirements and Beijing Yixin shall apply a new ICP License from the MIIT. The MIIT will have discretion as to whether to grant the license. None of our Company or any of its offshore subsidiaries currently satisfies the qualification requirement relating to value-added telecommunications businesses.

Efforts and actions undertaken to comply with the Qualification Requirements

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

1. Yixin HK has been incorporated in Hong Kong since November 2014 for the purposes of establishing and expanding our operations overseas;

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

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

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

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

Since foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and qualification requirements, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between Beijing KKC, 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 IFRSs as if they were wholly-owned subsidiaries of our Group.

Confirmation from the independent non-executive Directors

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

(i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

(iii) no new contracts were entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the Reporting Period; and

(iv) the Contractual Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the Contractual Arrangements of the Group for the year ended December 31, 2017, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial

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Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period:

(a) nothing has come to their attention that causes the Auditor to believe that the Contractual Arrangements have not been approved by the Board; and

(b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions.

The actual amount of the transactions pursuant to the Contractual Arrangements during the Reporting Period, which are eliminated in the consolidated financial statements, is RMB222,906,724.

Major Customers and Suppliers

Customers

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

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

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

For the year ended December 31, 2017, the revenue amounts from the Group's five largest customers accounted for 11% (2016: 34.2%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 3% (2016: 15.6%) of the Group's total revenue.

During the year ended December 31, 2017, our largest customer from which we derived 3% of our revenues was Beijing Bitauto Interactive.

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

Suppliers

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

We are dedicated to work closely with our top suppliers to strengthen our relationships with them. Purchases from our five largest suppliers excluding banks, financial institutions and ABSs holders for the year ended December 31, 2017 accounted for approximately 35% (2016: 50.4%) of our total purchase amount. Our largest supplier for the year ended December 31, 2017 accounted for approximately 12% (2016: 23.0%) of our total purchase amount.

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

Auditor

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

Important Events After the Reporting Period

No important events affecting the Company occurred after December 31, 2017 and up to the date of this annual report.

Environmental Policies and Performance

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

REPORT OF THE DIRECTORS

Public Float

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

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

Closure of Register of Members

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, May 29, 2018 to Friday, June 1, 2018 both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, May 28, 2018.

Compliance with the Relevant Laws and Regulations

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

By the order of the Board

Andy Xuan Zhang

Chairman

Hong Kong

March 15, 2018

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Company adopted the code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. For the period from the Listing Date to December 31, 2017, the Company has applied the principles in the CG Code which are applicable to the Company.

In the opinion of the Directors, throughout the period from the Listing Date to December 31, 2017, the Company has complied with all applicable code provisions set out in the CG Code, save and except for code provisions A.1.1 and A.2.1 which state that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, and the roles of chairman and chief executive should be separate and should not be performed by the same individual, respectively. Details of the deviations are set out in the sections headed "Board Meetings" and "Chairman and Chief Executive Officer" in this Corporate Governance Report.

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

Directors' Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealing Code throughout the period from the Listing Date to December 31, 2017.

CORPORATE GOVERNANCE REPORT

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

Board of Directors

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

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

Board composition

The Board currently comprises nine members as follows:

Executive Directors:	Mr. Andy Xuan Zhang *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
	Mr. Dong Jiang (姜東) *(President)*
Non-executive Directors:	Mr. James Gordon Mitchell
	Mr. Jimmy Chi Ming Lai (賴智明)
	Mr. Chenkai Ling (凌晨凱)
	Mr. Xuyang Zhang (張旭陽)
Independent Non-executive Directors:	Mr. Tin Fan Yuen (袁天凡) *(Chairman of the Remuneration Committee and Member of the Audit Committee)*
	Mr. Chester Tun Ho Kwok (郭淳浩) *(Chairman of the Audit Committee and Member of the Nomination Committee)*
	Ms. Lily Li Dong (董莉) *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

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

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Terms of Directors and Re-election of Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

Responsibilities and Accountabilities of the Directors

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

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Prior to the listing of the Company on the Main Board of the Stock Exchange, the Company organized a training session conducted by Skadden, Arps, Slate, Meagher & Flom and Affiliates, the Company's legal adviser as to Hong Kong law, for the Directors on their duties, responsibilities and obligations under the Listing Rules. All Directors have attended the training session. In addition, Mr. Xuyang Zhang has attended an independent directors' training organized by the Shenzhen Stock Exchange, and Ms. Lily Li Dong has attended training courses on regulations, auditing and attestation organized by the American Institute of Certified Public Accountants and has read various publications regarding regulations, auditing and attestation.

Board Committees

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

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

Audit Committee

The main duties of the Audit Committee include:

– assisting the Board in reviewing the financial information and reporting process of the Company;

– monitoring and reviewing risk management and internal control systems of the Company through the internal audit department;

– reviewing the effectiveness of the internal audit function of the Company;

– reviewing the scope of audit and appointment of external auditor of the Company; and

– supervising internal investigation and reviewing the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As the Shares were listed on the Stock Exchange on the Listing Date, the Audit Committee did not hold any meeting from the Listing Date to December 31, 2017.

CORPORATE GOVERNANCE REPORT

As at the date of this Corporate Governance Report, the Audit Committee met once and all members of the Audit Committee attended to review the Company's annual financial results and annual report for the year ended December 31, 2017. During the meeting, the Audit Committee also reviewed the significant issues on the financial reporting, operational and compliance matters, risk management and internal control systems and internal audit function, scope of work and appointment of external auditor, connected transactions and arrangements for employees to raise concerns about possible improprieties.

Remuneration Committee

The primary functions of the Remuneration Committee include:-

– reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

– reviewing and make recommendations to the Board on the remuneration of the non-executive Directors;

– reviewing and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and

– establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his / her associates will participate in deciding his / her own remuneration.

As the Shares were listed on the Stock Exchange on the Listing Date, the Remuneration Committee did not hold any meeting during the period from the Listing Date to December 31, 2017.

As at the date of this Corporate Governance Report, the Remuneration Committee met once and all members of the Remuneration Committee attended to assess the performance and review the remuneration policy and package of the executive Directors and senior management of the Group, and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include:

– reviewing the structure, size and composition of the Board;

– developing and formulating relevant procedures for the nomination and appointment of Directors;

– making recommendations to the Board on the appointment and succession planning of Directors; and

– assessing the independence of independent non-executive Directors.

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

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

The Board diversity policy is available on the Company's website (www.yixincars.com). The Board reviews and monitors from time to time the implementation of the policy to ensure its effectiveness and application.

As the Shares were listed on the Stock Exchange on the Listing Date, the Nomination Committee did not hold any meeting during the period from the Listing Date to December 31, 2017.

As at the date of this Corporate Governance Report, the Nomination Committee met once and all members of the Nomination Committee attended to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the forthcoming Annual General Meeting.

Corporate Governance Functions

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

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

Board Meetings

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Company was only listed on the Listing Date and only one Board meeting was held during the period from the Listing Date to December 31, 2017.

CORPORATE GOVERNANCE REPORT

The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

As at the date of this Corporate Governance Report, the first regular Board meeting for the year ending December 31, 2018 and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors were held.

Attendance Records of Directors

The Company held a Board meeting during the period from the Listing Date to December 31, 2017. The attendance record of each Director at the Board meeting is as follows:

Name of Directors	Attendance/Number of Meetings
Executive Directors:	
Mr. Andy Xuan Zhang	1/1
Mr. Dong Jiang	1/1
Non-executive Directors:	
Mr. James Gordon Mitchell	1/1
Mr. Jimmy Chi Ming Lai	0/1*
Mr. Chenkai Ling	1/1
Mr. Xuyang Zhang	1/1
Independent Non-executive Directors:	
Mr. Tin Fan Yuen	1/1
Mr. Chester Tun Ho Kwok	1/1
Ms. Lily Li Dong	1/1

* Mr. Yupeng Liang attended the Board meeting as proxy of Mr. Jimmy Chi Ming Lai.

According to Article 12.1 of the Company's Articles of Association, the Company shall hold a general meeting as its annual general meeting in each year, other than the year of the Company's adoption of the Articles of Association which became effective on the Listing Date pursuant to written resolutions of all Shareholders passed on November 1, 2017. As such, no annual general meeting was held during the year ended December 31, 2017.

Risk Management and Internal Controls

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

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

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

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

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

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.

CORPORATE GOVERNANCE REPORT

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 Appendix 14 Corporate Governance Code and Corporate Governance Report and Appendix 16 Disclosure of Financial Information of the Listing Rules.

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

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

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

Effectiveness of Risk Management and Internal Control

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

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

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.

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

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

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

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.

CORPORATE GOVERNANCE REPORT

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 101-110 of this annual report.

Relationship with Controlling Shareholders

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

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

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

Auditor's Remuneration

The remuneration paid / payable to the Auditor, in respect of audit services and non-audit services for the year ended December 31, 2017 is set out below:

Service Category	**Fees Paid/Payable**	
	2017	2016
	RMB'000	RMB'000
Audit Services	**3,515**	2,065
Non-audit Services	**1,443**	—
Total	**4,958**	**2,065**

The statement of the Auditor about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 101 to 110 of this annual report. During the Reporting Period, the remuneration paid/payable to the Auditor was disclosed in Note 7 to the consolidated financial statements. The audit and audit-related services conducted by the Auditor mainly comprised statutory audits and reviews for the Group and certain of its subsidiaries, and the reporting on continuing connected transactions. The non-audit services conducted by the Auditor mainly included professional services on tax consulting.

Company Secretary

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

Shareholders' Rights

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

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

CORPORATE GOVERNANCE REPORT

Right to Call an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Building 3, 12/F
Lujiazui Century Financial Plaza
799 Yanggao South Road
Pudong District
Shanghai 200127
PRC

For the attention of the Head of Investor Relations

Email: ir@yixincars.com

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

Investor Relations

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

The Company has adopted an amended and restated memorandum of association (the "**Memorandum**") of the Company and the Articles of Association pursuant to written resolutions passed by Shareholders on November 1, 2017 when preparing for the Listing. The amended and restated Memorandum and Articles of Association became effective on the Listing Date. During the period from the Listing Date to December 31, 2017, the Company has not made any changes to its Memorandum and Articles of Association. An up to date version of the Memorandum and Articles of Association is available on the Company's website (www.yixincars.com) and the website of the Stock Exchange (www.hkexnew.hk).

ESG REPORT

About This ESG Report

This is the first public ESG report prepared by Yixin Group Limited ("Yixin Group", "the Group", "the Company", "Company", "we", "us", or "our") in compliance with the ESG Reporting Guide contained in Appendix 27 to the Listing Rules. By means of this report, we would like to disclose the ESG achievements of the Company in 2017 in response to the concerns of all the stakeholders. This report is released with the annual report and should be read in conjunction with the section headed "Corporate Governance Report" therein.

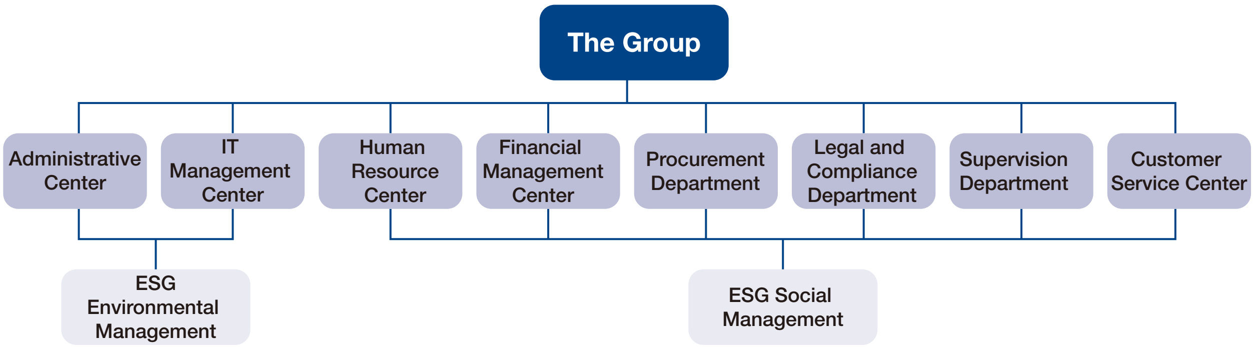
Unless otherwise stated, the scope of this report includes the operating units of Yixin Group Limited and its subsidiaries in the mainland of China.

ESG Management Philosophy and Concerns

The Group has adhered to the value of sustainable development. Apart from creating economic value for shareholders, the Company has also fulfilled its social responsibilities while carrying out its business operation and establishing a business system for its online automobile retail transaction platform in a bid to provide consumers with comprehensive and convenient services for automobile transactions and throughout automobiles' life cycles.

In line with our business development strategies, we have actively enhanced our ESG performance. In the fulfilment of its corporate social responsibilities, the Group has striven to become a sustainable benchmark enterprise in the Internet automobile industry.

In 2017, the Group strengthened its overall ESG management while the main ESG management responsibilities were effectively discharged in each department. Efforts were also made to promote and facilitate the integration of its ESG philosophy, corporate culture and business development.



The Group is fully aware of the importance of maintaining good communication with its stakeholders. To this end, the Group has improved the accessibility of its communication channels for various stakeholders to ensure the effective conveyance of expectations and demands.

In the ordinary course of business, the Group has consolidated all the concerns of stakeholders over their respective fields of ESG management. Specific measures will be taken in its business development in response to the requests of its stakeholders while major concerns will be highlighted in its operation and reports.

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

Stakeholder	Major communication channel	Major concern
Government and supervisory institutions	Major meetings, policy consultations, incident reports, institutional visits, information disclosure	• Compliance operation • Corporate governance • Environmental management
Shareholders and investors	Investor seminars; corporate announcements and circulars, investor relations columns in our official website	• Profitability • Operation strategy • Information disclosure transparency
Employees	Meetings, officers, activities	• Employee compensation benefits • Development and training opportunities • Healthy work environment
Suppliers	Phone calls, conferences, emails, site visit	• Cooperation on fair terms • Integrity
Customers	Customer complaint hotline, customer service center	• Quality services • Privacy protection
Business partners	Strategic cooperation, exchange and interaction	• Cooperation on fair terms • Integrity • Mutual development
Community and public	Charitable activities, community interactions, corporate recruitment seminars	• Corporate social responsibilities • Community relations • Employment • Community investment and charitable activities

In 2017, through a wide range of communication channels, we identified the ESG-related issues that our stakeholders are highly concerned about, including "product liability" and "employment and labor practice". Other major issues include "anti-corruption" while relevant issues include "emissions", "resources utilization", "environment and natural resources", "supply chain management" and "community investment".

Product Liability

The Group has been committed to creating an optimal automobile transaction ecosystem. Continuous efforts have been made to enrich its product portfolio and contents, improve service quality and user experience in order to provide consumers and business partners with better services. Stringent evaluation and management of our products and services and effective protection measures for customer privacy and intellectual property have been carried out to ensure its compliance with applicable laws and regulations.

Capitalizing on the online automobile transaction platform, the Group has established a business system that encourages participation from consumers, automakers, auto dealers, auto financing partners and aftermarket service providers. On the one hand, the Company has optimized its products to meet customers' needs in different occasions and circumstances. On the other hand, continuous refinements of self-owned and jointly-operated online channels, as well as nationwide service teams and auto dealer networks, have been made to provide consumers with convenient services for automobile retail transactions and throughout automobiles' life cycles.

Enhancing Customer Service Quality

To enhance customer service quality and protect consumers' rights and interests, the Group has formulated customer service management system and procedures. It has also set up a customer service center and a service hotline to enable timely feedback on consumers' product and service requirements, as well as reflecting existing problems and suggestions.

As at the end of 2017, the number of employees under our customer service team (including the customer service call center) was over 3,000. They are instrumental in lead conversion and serving our consumers and business partners, covering over 340 cities in China.

The healthy development of a company depends on customers' valuable suggestions and opinions. Therefore, we attach great importance to customers' complaints and feedback. Based on customers' complaints and suggestions, we handle each case carefully according to its specific classification. Complaints and suggestions are assigned to the corresponding departments according to their classifications and settled within a prescribed period of time. In addition, we have requested the departments and persons-in-charge to promptly inform customer service officers of the outcomes so as to assure the consumers that every complaint and suggestion are properly dealt with.

Safeguarding Customer Information Security

As an Internet enterprise, we understand the importance of protecting customers' privacy. We strictly comply with the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) and the requirements of applicable laws and regulations and set out the requirements in the Employee Handbook (《員工手冊》) of the Group: employees are obliged to protect the information of customers or potential customers of the Company, such as trade secrets or knowledge, obtained through performance of duties or other channels.

In practice, we have strengthened the management of user data by updating user privacy protection rules on our website and requiring users to register with their authentic names. At the time of user registration, user alert and user authorization options are available, allowing us to collect customers' information. Furthermore, channel partners are also required to obtain user information legally. From a technical perspective, we have employed information security technology to improve user information protection and ensure legal acquisition and application of customers' information.

Standardized Management on Brand Image

The Group understands that brand image is an important intangible asset of an enterprise and carries significant values for its future development. As such, we place high importance on the standardized management of brand image.

To strengthen its trademark management, designated staff were appointed by the Legal and Compliance Department of the Group to be in charge of trademark management in 2017. In the event of the use of certain trademark by a business department, an application shall be submitted to the legal and compliance department for filing and review. Upon approval, the successful application will be submitted by the legal and compliance department for trademark registration. The marketing center has formulated the regulations of a visual identification (VI) system, under which the use of trademark by each department and employee is regulated.

Apart from trademark protection, the Group has also adopted a series of measures to prevent the infringement of its trademark. The Group has devised a monitoring mechanism to identify whether its trademark has been infringed or it has infringed the trademarks of others. A monitoring report is released on a semi-monthly basis. In the event of infringement, the Group will defend its trademark by sending complaint letters, reporting to the industrial and commercial authorities or initiating litigation, depending on the seriousness of the incidents.

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In order to bolster its advertisement management, the Group has paid close attention to the applicable laws and regulations, including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Interim Administrative Measures for Internet Advertisements (《互聯網廣告管理暫行辦法》). We have issued the Advertisement Compliance Management System which requires that the copywriting content, design and materials contained in the advertisements shall be reviewed by the legal and compliance department. This is to ensure that all the information released through advertisements, promotion, marketing activities, press conferences, brochures and other channels is in strict compliance with the laws and regulations. Moreover, the legal and compliance department has conducted two large-scale internal training activities to improve the understanding of the employees on, and ensure their effective compliance with, the aforesaid laws and regulations and relevant systems.

Attaching High Importance to Intellectual Property Rights

Intellectual property represents the core competitiveness of an enterprise. The Group values the intellectual property rights of its own and that of others and is in strict compliance with applicable laws and regulations such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》) to prevent any infringement. Initiatives such as filing, management and maintenance, staff training and promotion and legal assessment have been adopted to safeguard its intellectual property protection and optimize relevant system.

To facilitate copyright protection, the Legal and Compliance department of the Group has registered the copyrights of relevant software technologies. When entering into contracts with its business partners, we have included the terms of intellectual property protection and confidentiality to ensure that all the parties will use the intellectual property of the Group as agreed upon obtaining authorization without any infringement.

Employment

Employees are the valuable assets for corporate development and the key to sustainable corporate growth. The Group is committed to the protection of the legal rights and interests of its employees as well as their growth and development. While actively nurturing an outstanding corporate culture, the Group endeavors to create a regulated and harmonious work environment that enables mutual growth of the Company and its employees. Due to its innovative talent recruitment scheme, distinguished training rationale and practice, the Group has won various awards, including the "Shanghai Xinrui Extraordinary Employer" (上海新銳非凡僱主), "China Outstanding Employer" (中國卓越僱主) and "2017 Excellence in Human Resources Management" (2017人力資源管理傑出獎). We hope to attract more outstanding talents with our insightful recruitment strategy and continuously consolidate our leading position in the terms of online automobile transaction platform.

Employment and Labor Standards

The Group stringently complies with relevant laws and regulations, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) in respect of employee management and has formulated the Recruitment Management Policy of Yixin Group (《易鑫集團招聘管理制度》), the Resignation Management System of Yixin Group (《易鑫集團離職管理制度》), the Employee Handbook of Yixin Group (《易鑫集團員工手冊》), the Attendance Management System of Yixin Group (《易鑫集團考勤管理制度》) and other internal regulations and applicable implementation rules, all of which serve to reinforce effective protection of legal rights and interests of employees.

During the recruitment process, we abide by the laws, regulations and policies of China and strictly prohibit the recruitment of child labor and forced labor. We uphold fair, just and open competition and merit-based recruitment principles. We also respect talents and do not discriminate against applicants and employees on account of their ethnicity, race, gender and religions.

We value and appreciate the contributions of our employees to the development of the Company. Apart from providing competitive remuneration as compared with our peers, we have also rendered different types of subsidies and compensation for our employees such as transport allowance, meal allowance, telecommunications subsidy and travel allowance. In addition, we have established a reward mechanism with a variety of awards for our employees, including special president award, best team leader award, best newcomer award, best team award. For the award-winning employees, we will present honorary certificates, along with incentives and bonuses, so as to encourage their continuous pursuit of excellence and innovation. These awards are basically divided into three categories:

- Project-based awards: these awards are presented by the Company or its departments to either a team or an individual employee who shows outstanding performance at a particular project, for example, the evaluation activities on excellent team building project by the human resources center.

- Department-based awards: these awards are presented by various departments to their employees who have contributed to satisfactory results or achieved outstanding performance.

- Company-based annual awards: these awards, comprised of both team and individual-based rewards, are presented to any teams or individual employees who have jointly participated in highly representative large-scale evaluation activities targeting the entire Company. The winners are selected by the management and employee representatives and will be presented with the awards by the CEO at the annual party of the Company.

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In 2017, awards were also presented to individuals who had made significant contributions to the Company, including the Annual Warrior Award on Shop Expansion for the Eastern China District of the Sales Department of the Automobile Financial Marketing Center (汽車金融營銷中心銷售部華東區 — 年度拓店勇士獎) and the 2017 Excellent Employee Award of the Human Resources Center (人力資源中心 — 2017年優秀小師兄獎).

Training and Development

Leveraging its wide geographical coverage, diversified culture and rapid development, the Group has launched comprehensive and tailor-made training programs for new employees, general workers, middle-level employees and senior officers in order to fulfill the training needs of different levels. The Group supports the development and implementation of business training programs through organizing visits, teaching courses, project training campaigns and seminars. In order to allow our employees to study and understand the training courses and information delivered by the Company whenever and wherever they have spare time, we have also developed various innovative channels, such as online learning courses and live broadcast learning courses, and provide rich learning resources. These training programs have been made practical, effective and interesting. In addition, through optimizing training system and fair promotion channel, we continued to support the development of our employees and create a talent pool with expertise in various aspects and levels, such as technology finance, automobile finance and Internet finance.

In 2017, based on a comprehensive evaluation on its development needs, the Group launched various training projects and activities in a smaller scale under the principle of making small yet effective progresses with limited resources. Refinements for training projects and activities were also made thereafter. As a result, the Company managed to organize extensive and intensive training programs with satisfactory effects in a short period of time. The training programs included, among other things:

- Training programs for senior management: the Company organized visits, teaching courses and seminars to strengthen the leadership, management capabilities and strategic analysis of the senior management so that they will become high-quality corporate officers.

- Training programs for middle-level management: the Company organized training camps and teaching courses to strengthen the execution, competence and professional skills of the middle-level management in support of their career development, which in turn laid the foundation for the business development of the Company.

- Training programs for elementary-level employees: the Company organized teamwork projects, teamwork building programs and business training programs to sharpen the working skills and general skills of elementary-level employees.

Employee Training Project Example 1: Leadership training programs for senior management — "Everyone can be a CEO" (人人都是CEO)

In June 2017, the senior management of the Company took part in the first session of the strategic management training program of China Europe International Business School. The two-day training inspired the strategic thinking of the senior management as they gained new insights through discussion and co-creation.

In July 2017, our senior management visited Ctrip, the largest online travel agency in China, and learned more about the start-up history of Ctrip in a meeting with its three senior management members.

In September 2017, our senior management attended a course, "Organizational Leadership" (《組織領導力》), given by Professor Mr. Zhang Zhixue (張志學) in Guanghua School of Management of Peking University, in which our senior management learnt valuable knowledge through theory learning, case study, stimulation activities and practise.

In September 2017, our senior management visited the headquarters of JD.com and exchanges business ideas, development insights and experiences in a meeting with three senior management members of JD.com (京東集團).

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Employee Training Project Example 2: The fourth session of the training camp for middle-level employees of the Company

As at the end of July 2017, a training camp with the theme of user-oriented product innovation and marketing enhancement was held in Shanghai. The training camp was aimed to provide our employees with inspiration for innovative product design and marketing and attracted over 30 employees from Beijing and Shanghai.

Employee Training Project Example 3: Simulation activity

In June 2017, the Company organized internal simulation activity — Mining Gold in Desert (沙漠掘金). In the activity, participants had to complete their missions by fully cooperating with their team members from different departments. The sprit of unity and cooperation among employees was promoted.

Health and Safety

The Group abides by relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Regulation on Work-related Injury Insurances (《工傷保險條例》) and Special Rules on the Labor Protection of Female Staff (《女職工勞動保護特別規定》), and places great emphasis on the health and safety of its employees and aims to create corporate value with its employees and raise their satisfaction. We offer free clinical examination once a year to all of our employees. In addition to the social insurance contribution for our employees, we also provide them with additional medical insurance in order to improve their medical protection with sufficient medical benefit.

Furthermore, we organize a wide range of team building activities every quarter and encourage our employees to participate in sports activities to improve their physical fitness. Such activities not only allow our employees to have more fulfilling leisure time, but also bring them closer. As such, the cohesion and satisfaction level of our employees have been improved under a warm and friendly work environment.

Employee Activity Example 1: Annual party of the Group

The long-awaited annual party of the Group was held on February 18, 2017. With the theme of "Developing Yixin through Concerted Effort" (同心同行不斷創鑫), we celebrated the exceptional results achieved in the annual party and awarded the employees who had made great contributions to the Group. We enjoyed wonderful dances and songs and expressed our wishes for greater achievements in the coming year. Employees from different places had a chance to get to know each other in the annual party. We also surprised our employees through a lucky draw with numerous attractive prizes. In its pursuit of remarkable results, the Group owed its success to the contributions of its employees whose concerted efforts would pave the way for its prosperous future.

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Employee Activities Example 2: The third anniversary celebration of the Group

The third anniversary of the Group was held on August 12, 2017. On this special day, we not only celebrated the anniversary of the Group, but also expressed the gratefulness to the contributions of all of our employees. To celebrate this occasion, the branches in Shanghai, Beijing and other regions organized various activities, including online car racing game, family open day, buffet and live broadcast of dream workshop of the Group (鑫動夢工廠直播). No matter where the celebrations were, our employees shared the same feeling and enjoyed the activities with the same level of enthusiasm. Our employees eagerly joined the celebration activities in different regions and shared their activities and thoughts with each other through online live broadcast. Through family open day and buffet, family members of our employees visited our workplace to enjoy the friendly and relaxing work environment. Various interactive activities were also launched to allow participation of all of our employees in this extraordinary anniversary celebration.

Employee Activities Example 3: Teamwork training program for better development of the Group (「鑫鑫向榮」團隊凝聚力拓展訓練)

Employee Activities Example 4: Sports activities for employees (basketball, football, Yoga and swimming)

Employee Activity Example 5: Self-driving tour to Ulanqab Grassland

The 400 km self-driving tour started from Beijing and ended in the hinterland of volcano complex in Charhar, which lies between Qahar Youyi Houqi and Qahar Youyi Zhongqi, Ulanqab in the central part of Inner Mongolia Autonomous Region, located in the southern edge of the Inner Mongolia Plateau. The structure of such volcano is part of Daxinganling — Datong Quaternary Volcanic Belt (大興安嶺 — 大同第四紀火山噴發帶).

Green Office

As a non-production enterprise, the Group has smaller impact on the environment and resources. In our business operation and development, we have always complied with relevant environmental protection laws and regulations and promoted the concept of energy conservation and emission reduction. It is also our commitment to raise the awareness of our employees on environmental protection and promote environmentally-responsible behaviors.

The major energy consumption of the offices of the Group is electricity. To ensure reasonable use of power and reduce power usage, the Group has formulated the Office Power Usage Management System (《辦公區用電管理制度》), pursuant to which specific personnel are assigned by each department to manage the power usage of the respective departments and are monitored by the administrative center. All the offices of the Company determine the number of lights to be switched on or off according to changes in natural daylight and actual needs. Employees are required to switch off office lights when they leave the offices to prevent wasteful illumination. Setting of air-conditioning is strictly controlled so that room temperature will not exceed 26℃ in summer or 22℃ in winter. If wasteful use of power is identified during inspection, photos will be taken by the administrative department as record and email reminder will be sent to employees. Security guards are also assigned to inspect power usage of public facilities at night. In addition, we adopt the practice of co-working space to facilitate team discussion and communication. This practice minimizes the physical space required for individuals and enhances energy consumption efficiency of office space.

In addition, the Company also has a small amount of corporate vehicle fuel consumption. In an effort to regulate vehicle usage and improve its efficiency, the Group has formulated the Corporate Vehicle Usage Management System of the Company (《公司車輛使用管理制度》) which sets out the approval procedures for the usage of corporate vehicles. The Company also encourages its staff to use public transportation so as to minimize air pollution derived from vehicle emissions and greenhouse gas emissions derived from fuel consumption.

Moreover, the Company encourages its employees to reduce the use of paper. We require our employees to print documents in duplex in order to reduce paper consumption and waste paper.

Environmental Performance Table

Emissions

Performance indicators	2017 data
Total greenhouse gas emissions (Scope 1 and 2) (ton)	681.7
Per capita greenhouse gas emissions (ton/person)	0.214
Direct emissions (Scope 1) (ton)	
Corporate vehicle fuel consumption	23.1
Indirect emissions (Scope 2) (ton)	
Purchased Electricity	658.6
Hazardous wastes (ton)	0
Non-hazardous wastes (ton)	248.63
Per capita non-hazardous wastes (ton/person)	0.078

Notes:

1 Due to its business nature, the significance air emissions of the Group are greenhouse gas emission derived from the use of electricity and fuels converted from fossil fuels.

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

3 The types of hazardous wastes involved in the operation of the Group include discarded ink cartridges and waste lead-acid batteries from printing equipment. As the Group leased the printing services from a printing service provider who recycles ink cartridges, there was no waste ink cartridges in 2017. Since the warranty of lead-acid batteries remained valid, there was no waste lead-acid battery in 2017.

4 The types of harmless wastes involved in the operation of the Group include domestic wastes and waste electronic equipment of office buildings. The domestic wastes of office buildings are disposed of by a property management company of the office buildings and cannot be measured separately. The estimate is based on the Handbook on the Discharge Coefficient of Urban Domestic Pollution Sources under the First National Survey on Pollution Sources (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council. Since the warranty of electronic equipment remained valid, there was no waste electronic equipment in 2017.

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Energy and Resources Consumption

Indicators	2017 data
Total energy consumption (MWh)	998.5
Energy consumption per square meter of gross floor area (MWh/square meter)	0.05
Per capita energy consumption (MWh/person)	0.31
Direct energy consumption (MWh)	
Corporate vehicle fuel consumption	94.6
Indirect energy consumption (MWh)	
Purchased Electricity	903.9
Water consumption (ton)	39,728.98
Per capita water consumption (ton/person)	12.48

Notes:

1 Consolidated energy consumption is calculated on the basis of the consumption of power and petroleum and the conversion factor set out in the General Principles of Consolidated Energy Consumption Calculation (GB/T 2589-2008) (《綜合能耗計算通則(GB/T 2589-2008)》) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration of the People's Republic of China.

2 The data for purchased electricity covers offices in Shanghai, Beijing, Shenzhen, Dalian, Changsha, Chengdu, Urumqi, Shijiazhuang, Changchun, Nanjing, Hohhot, Xi'an, Ningbo, Tianjin, Shenyang, Taiyuan, Wuxi, Xining, Qingdao, Zhengzhou, Suzhou, Jinan, Yinchuan, Chongqing and Kunming. The offices in other areas have not been included in the statistics due to their insignificant scale, and will be included based on actual circumstances in the future. Electricity expenses of the data centers of the Group is included in the custody fees, so power consumption of data center cannot be measured separately. Further discussion with regard to the measurement will be made with the custody firm in the future and the data will be included in the statistics once separate measurement is available.

3 Water consumed at the offices of the Group is supplied by municipal government and is controlled by the property management companies of the office buildings. Water expenses are included in the property management fees, and water consumption cannot be measured separately. The property management companies have put on water saving labels to encourage tenants to reduce water consumption. The estimate of water consumption is based on the Water Consumption Standard for Urban Residents (《城市居民生活用水量標準》) (GB/T 50331-2002), a national standard issued by the Ministry of Housing and Urban-rural Development (建設部).

4 Data for packaging materials are not applicable to the Group.

Supply-Chain Management and Anti-Corruption

As for procurement management, with an emphasis on the environment and social risk management of suppliers, we require our suppliers to provide relevant proof of operation qualification. In order to regulate collection, report and verification of information from suppliers, the Procurement department of the Group has a registration form in place for suppliers to standardize management.

The Group has established the Procurement Management System (《採購管理制度》) under which major procedures of procurement are monitored by the supervision department in order to prevent corruption in the procurement process. In 2017, the procurement department of the Group issued the Sunshine Procurement Code (《陽光採購行為規範》) which sets out the requirements on the business ethics of any persons who are directly or indirectly involved in the procurement business of the Group or the suppliers of the procurement department of the Group. To ensure the consistent implementation of the system, the procurement department has provided training for its staff and will provide relevant training for related procurement employees.

Furthermore, the conduct of suppliers of the Group has been regulated through its issuance of the Sunshine Procurement Code for Suppliers (《供應商陽光採購行為規範》), pursuant to which bribery, connected transaction, seeking of confidential information are prohibited while punishment, complaint and incentive mechanisms are incorporated. Prior to procurement, the procurement department shall provide the code of conduct to the bidding suppliers who, after winning the bid, must acknowledge the same with their signatures.

In addition, to create a corporate culture of integrity and self-discipline and effectively prevent the non-performance and improper performance of duties of employees at different levels, the Company has specially set up a supervision department to facilitate the establishment of a comprehensive anti-corruption management system. As an effort to reinforce the anti-corruption awareness of its employees, the Company has required the signing of the Business Code (《商業行為準則》) upon the commencement of their employment. As such, the employees are well aware of the importance of integrity and self-discipline and are cautioned against the risks of non-compliance.

The Group has provided various whistle-blowing channels, such as WeChat, mail box and hotline, for its employees without prejudice to their interest and safety. If any non-compliance reports are received, the supervision department will immediately carry out investigation and determine the level of seriousness of the events based on initial findings and report the same to the superiors under relevant mechanism for further processing.

ESG REPORT

Community Investment

In its day-to-day development, the Group is highly aware of its social responsibilities as a corporate citizen and attaches importance to the establishment of its corporate culture for making contribution to the community. The Company has been committed to providing employment opportunities for the disabled. As of the end of 2017, the Company provided jobs for more than 80 disabled persons in total. In addition, the Company also encouraged its employees to participate in charitable activities and capitalize on their various skills to solve the problems of the community. Their contributions represented the pursuit of the Company for the harmonious and civilized development of the community.

Community Investment Activity Example: Campaign of the Urumqi Branch to Support Home for the Elderly (愛心養老院)

On September 23, 2017, to express its care for the elderly, the Urmuqi Branch of the Group visited Home for the Elderly (愛心養老院) under the guidance of the management. With the assistance of the staff of the elderly home, employees of the branch were divided into groups to participate in different activities, including chatting with the elderly, listening to their life experiences and cleaning the facilities. Those who have specific talents were assigned to participate in special activities, such as cutting hair, making dumplings and cooking meals for the elderly. The elderly were highly impressed by the passion and care of the employees.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yixin Group Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yixin Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 245, which comprise:

- the consolidated balance sheet as at December 31, 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Provision for credit losses of finance receivables
- Initial recognition and determination of fair value of convertible redeemable preferred shares
- Initial recognition and impairment assessment for the Business Cooperation Agreements acquired upon the completion of 2017 Reorganization

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for credit losses of finance receivables Refer to note 4 Critical accounting estimates and judgements, and note 17 Financial receivables of the consolidated financial statements. As at December 31, 2017, the balance of finance receivables amounted to RMB29,912,822,000, after a provision for credit losses of RMB134,169,000. Provision for credit losses of finance receivables represents management's best estimate of the losses incurred within finance receivables as at the balance sheet date. The provision was computed on a collective basis for the balances due from individual customers, as none of the balances were considered individually significant. We focused on the credit loss assessment of finance receivables because of the significant judgments made by management in its estimation process. We particularly focused on whether the model, parameters and assumptions employed were reasonable.	*Our procedures in relation to the provision for credit losses of finance receivables included:* **Understanding of management's assessment process and test of controls** We interviewed management to understand the Group's business processes for estimating the provision for credit losses of finance receivables. We evaluated and tested the design and operating effectiveness of the relevant controls over the credit loss assessment and provision computations for finance receivables. The controls implemented primarily comprised periodical review and approval of the provision for credit losses and of the collective impairment computations, including appropriateness of the models, data inputs and key assumptions and changes thereof. We tested IT controls over the information systems which are used to maintain the completeness and accuracy of related contractual information with individual customers. **Substantive testing of the provision for credit losses** The finance receivables were assessed for impairment on a collective basis with the relevant data extracted from the Group's information system, utilizing models, parameters and assumptions determined by management. We tested the accuracy and completeness of the historical data utilizing IT audit techniques. We assessed whether the parameters and assumptions used in the credit loss provision models properly reflected the credit risks.

INDEPENDENT AUDITOR'S REPORT

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td></td><td>We evaluated the methodology applied by management and recalculated the provision for credit losses of finance receivables made by management.

Based on the procedures performed on the credit loss assessment, we found the assessment approaches, methodologies and key assumptions adopted by management were supportable.</td></tr>
<tr><td>Initial recognition and determination of fair value of convertible redeemable preferred shares

Refer to note 4 Critical accounting estimates and judgements and note 26 Convertible redeemable preferred shares of the consolidated financial statements.

Since the date of incorporation, the Company has completed three rounds of financing by issuing convertible redeemable preferred shares, inclusive of the series C preferred shares, which were issued on May 26, 2017. Upon the completion of the IPO on November 16, 2017, all outstanding convertible redeemable preferred shares were automatically converted into ordinary shares on a one-to-one basis. A fair value loss of convertible redeemable preferred shares of RMB17,698,484,000 was recorded in the year ended December 31, 2017.

The initial recognition of convertible redeemable preferred shares involves assessing complicated contract terms. The Company assessed the key terms in the relevant legal documents to identify the various rights of holders and to determine the substance of the contractual arrangements and related accounting implications.</td><td>Our procedures in relation to initial recognition and determination of fair value of convertible redeemable preferred shares included:

Regarding the initial recognition of convertible redeemable preferred shares, we:

• interviewed management to understand the business substance of the arrangements and obtained and checked the relevant legal documents, including subscription agreements, memorandum and articles of association and board meeting minutes.

• evaluated the appropriateness of management's assessment of the contract terms and determination of the related accounting implications; this mainly focused on the identification and classification of the host contracts and whether the embedded derivatives were closely related to the host contracts.

To address the determination of the fair value of convertible redeemable preferred shares, with the involvement of our internal valuation experts, we:

• assessed the composition of management's future cash flow forecasts based on our past audit experience with the Company and the Company's approved budgets.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
The convertible redeemable preferred shares were not traded in an active market and the respective fair value of the shares was determined by using valuation techniques, including the discounted cash flow method to determine the underlying equity value of the Company and the equity allocation method to determine the fair value of the convertible redeemable preferred shares. The valuation process was highly judgemental due to assumptions such as discount rate, volatility and probability weighting under each of the IPO, liquidation and redemption scenarios. The Company engaged a third party appraisal firm to support its determination of fair value of the convertible redeemable preferred shares.	• challenged management's assumptions used in the valuation as follows: o Discount rate, by assessing the cost of capital for the Company and independently calculating the discount rate. o Volatility, by comparing them to historical volatilities of comparable companies. o Probability weighting under each of the IPO, liquidation and redemption scenarios, by discussing with management and analyzing the weightings based on our understanding of the Company's business and market condition. • evaluated the Company's sensitivity analysis over the above key assumptions, to assess the estimation uncertainty in the accounting estimates related to convertible redeemable preferred shares. • assessed the objectivity, independence and competence of the external appraiser engaged by the Company. Based on the procedures performed, we found the judgements and estimates made by the Company for initial recognition and determination of fair value of convertible redeemable preferred shares to be supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
The initial recognition and impairment assessment for the Business Cooperation Agreements acquired upon the completion of the 2017 Reorganization As disclosed in note 1.2, on May 26, 2017, the Company issued series C preferred shares to Bitauto Holdings Limited ("Bitauto"), in exchange for Bitauto's Used Automobile Transaction business and a series of Business Cooperation Agreements. The Business Cooperation Agreements were recorded as intangible assets at fair value at the date of acquisition. Refer to note 4 Critical accounting estimates and judgements, and note 13 Intangible assets of the consolidated financial statements. As at December 31, 2017, the balance of Business Cooperation Agreements acquired upon the completion of 2017 Reorganization amounted to RMB2,158,061,000. The initial recognition of Business Cooperation Agreements involved an assessment of complicated contract terms. The Company evaluated the key terms in the relevant legal documents to determine the substance of the Business Cooperation Agreements. It is determined that the Business Cooperation Agreements is a separate asset acquisition upon the completion of 2017 Reorganization and shall be recorded separately from the Used Automobile Transaction business acquired. The Company engaged a third party appraisal firm to support its determination of the initial fair value of the Business Cooperation Agreements acquired upon 2017 Reorganization.	*Our procedures in relation to the fair value measurement and impairment assessment for the intangible assets acquired upon the completion of 2017 Reorganization included:* To address the initial recognition of the Business Cooperation Agreements, and the impairment assessment of 2017 automobile financing services traffic support agreement, with the involvement of our internal valuation experts, we: • checked all contracts related to the 2017 Reorganization and the Business Cooperation Agreements and discussed with management the underlying business substance. • evaluated the appropriateness of management's assessment of the contract terms and determination of the related accounting implications. • evaluated the reasonableness of the valuation model used. • assessed the composition of management's future cash flow forecasts based on our past audit experience with the Company and the Company's approved budgets. • assessed the methodology applied in management's calculation of the discount rate and independently calculated the discount rate. • evaluated the Company's sensitivity analysis over the above key assumptions, to assess the estimation uncertainty in the accounting estimates related to Business Cooperation Agreements.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Business Cooperation Agreements are amortized over the respective expected useful lives, with the exception of the 2017 automobile financing services traffic support agreement, which was not yet in use as at December 31, 2017, and not subject to amortization for the year ended December 31, 2017. The 2017 automobile financing services traffic support agreement was assessed for impairment by management and determined to be not impaired as at December 31, 2017. Due to the magnitude of the Business Cooperation Agreements and the significant management estimates involved, we particularly focused on the following areas in the initial fair value measurement and subsequent impairment assessment of intangible assets: • future cash flows or cost savings generated from the assets • the discount rate utilized in the model	• assessed the objectivity, independence and competence of the external appraiser engaged by the Company. Based on the procedures performed, we found the judgements and estimates made by the Company in the fair value measurement and impairment assessment for the Business Cooperation Agreements acquired upon the completion of 2017 Reorganization to be supported by the available evidence.

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 15, 2018

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Revenues	5		
Transaction Platform Business		**963,900**	212,152
Self-operated Financing Business		**2,941,609**	1,275,745
		3,905,509	1,487,897
Cost of revenues	7	**(1,715,596)**	(752,888)
Gross profit		**2,189,913**	735,009
Selling and marketing expenses	7	**(1,171,112)**	(360,098)
Administrative expenses	7	**(1,428,069)**	(225,330)
Research and development expenses	7	**(217,710)**	(71,351)
Other gains, net	6	**22,392**	17,411
Operating (loss)/profit		**(604,586)**	95,641
Finance income	9	**50,081**	15,755
Finance expenses	9	**(17,353)**	(29,250)
Fair value loss of convertible redeemable preferred shares	26	**(17,698,484)**	(1,428,141)
Share of profits of investment accounted for using the equity method	14	**118**	—
Loss before income tax		**(18,270,224)**	(1,345,995)
Income tax expense	10	**(66,330)**	(58,343)
Loss for the year		**(18,336,554)**	(1,404,338)
Loss attributable to:			
— Owners of the Company		**(18,330,870)**	(1,401,333)
— Non-controlling interests		**(5,684)**	(3,005)
		(18,336,554)	(1,404,338)
Loss per share from operations attributable to owners of the Company for the year (expressed in RMB per share)	11		
— Basic		**(11.37)**	(1.48)
— Diluted		**(11.37)**	(1.48)

The notes on pages 119 to 245 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Loss for the year		**(18,336,554)**	(1,404,338)
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**662,957**	(289,476)
Total comprehensive loss for the year		**(17,673,597)**	(1,693,814)
Attributable to:			
— Owners of the Company		**(17,667,913)**	(1,690,809)
— Non-controlling interests		**(5,684)**	(3,005)
		(17,673,597)	(1,693,814)

The notes on pages 119 to 245 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	12	**1,208,544**	103,746
Intangible assets	13	**2,384,761**	242,796
Investment in an associate in the form of ordinary shares	14	**16,051**	100
Financial assets at fair value through profit or loss	15	**156,829**	150,000
Deferred income tax assets	28	**48,293**	5,622
Prepayments, deposits and other assets	19	**1,358,886**	562,196
Finance receivables	17	**16,537,890**	8,277,204
Restricted cash	20	**150,000**	150,000
		21,861,254	9,491,664
Current assets			
Finance receivables	17	**13,374,932**	6,086,662
Trade receivables	18	**680,135**	180,145
Prepayments, deposits and other assets	19	**764,226**	604,425
Cash and cash equivalents	20	**5,824,706**	660,852
Restricted cash	20	**361,234**	3,027,631
		21,005,233	10,559,715
Total assets		**42,866,487**	20,051,379
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**4,080**	83
Share premium	21	**34,409,418**	505,524
Other reserves	22	**797,646**	(411,633)
Accumulated losses		**(19,869,121)**	(1,491,133)
		15,342,023	(1,397,159)
Non-controlling interests		**—**	12,684
Total equity		**15,342,023**	(1,384,475)

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Convertible redeemable preferred shares	26	**–**	8,071,817
Deferred income tax liabilities	28	**16,029**	15,639
Borrowings	27	**7,686,093**	3,213,634
Other non-current liabilities	29	**138,014**	100,089
		7,840,136	11,401,179
Current liabilities			
Trade payables	24	**947,751**	508,385
Other payables and accruals	25	**1,309,930**	1,375,071
Current income tax liabilities		**17,605**	45,426
Borrowings	27	**17,409,042**	8,105,793
		19,684,328	10,034,675
Total liabilities		**27,524,464**	21,435,854
Total equity and liabilities		**42,866,487**	20,051,379

The notes on pages 119 to 245 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 111 to 245 were approved by the Board of Directors on March 15, 2018 and were signed on its behalf.

Andy Xuan Zhang
Director

Dong Jiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	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 year		–	–	–	(18,330,870)	(18,330,870)	(5,684)	(18,336,554)
Currency translation differences	22	–	–	662,957	–	662,957	–	662,957
Total comprehensive loss for the year		–	–	662,957	(18,330,870)	(17,667,913)	(5,684)	(17,673,597)
Transactions with owners in their capacity as owners								
Capital contribution from owners	22	–	–	(6,170)	–	(6,170)	(7,000)	(13,170)
2017 Reorganization	1	–	–	(403,605)	–	(403,605)	–	(403,605)
Share-based compensation	23	–	–	913,033	–	913,033	–	913,033
Appropriation to statutory surplus reserve	22	–	–	47,118	(47,118)	–	–	–
Conversion of preferred shares to ordinary shares	26	411	28,378,338	–	–	28,378,749	–	28,378,749
Capitalization Issue	21	3,003	(3,003)	–	–	–	–	–
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	21	582	5,524,495	–	–	5,525,077	–	5,525,077
Release of ordinary shares from Share Scheme Trusts	23	1	4,064	(4,054)	–	11	–	11
Total transactions with owners in their capacity as owners		3,997	33,903,894	546,322	(47,118)	34,407,095	(7,000)	34,400,095
Balance at December 31, 2017		4,080	34,409,418	797,646	(19,869,121)	15,342,023	–	15,342,023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	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, 2016		83	505,524	(300,364)	(74,884)	130,359	—	130,359
Comprehensive loss								
Loss for the year		—	—	—	(1,401,333)	(1,401,333)	(3,005)	(1,404,338)
Currency translation differences	22	—	—	(289,476)	—	(289,476)	—	(289,476)
Total comprehensive loss for the year		—	—	(289,476)	(1,401,333)	(1,690,809)	(3,005)	(1,693,814)
Transactions with owners in their capacity as owners								
Capital contribution from owners	22	—	—	157,478	—	157,478	15,689	173,167
Share-based compensation	23	—	—	5,813	—	5,813	—	5,813
Appropriation to statutory surplus reserve	22	—	—	14,916	(14,916)	—	—	—
Total transactions with owners in their capacity as owners		—	—	178,207	(14,916)	163,291	15,689	178,980
Balance at December 31, 2016		83	505,524	(411,633)	(1,491,133)	(1,397,159)	12,684	(1,384,475)

The notes on pages 119 to 245 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash used in operations	31	**(15,481,176)**	(11,251,397)
Income tax paid		**(142,282)**	(50,112)
Net cash used in operating activities		**(15,623,458)**	(11,301,509)
Cash flows from investing activities			
Interest received		**50,257**	2,581
Proceeds from disposal of property and equipment and intangible assets		**413**	1,220
Proceeds from the disposal of a subsidiary, net of cash disposed		**9,448**	—
Purchase of property and equipment		**(50,129)**	(24,759)
Purchase of intangible assets		**(58,325)**	(32,879)
Loans to a related party	34	**(20,000)**	—
Investments in financial assets at fair value through profit or loss	15	**—**	(150,000)
(Payments for)/Cash acquired from business combinations, net	33	**(14,526)**	39,406
Investment in an associate in the form of ordinary shares		**(10,000)**	—
Placements of restricted cash		**(2,325,750)**	(3,999,678)
Maturity of restricted cash		**4,863,501**	919,851
Net cash generated from/(used in) investing activities		**2,444,889**	(3,244,258)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Distribution to Bitauto in 2017 Reorganization		**(98,855)**	—
Proceeds from borrowings	31	**33,880,806**	13,716,300
Repayment of borrowings	31	**(19,957,650)**	(2,396,873)
Deposits for borrowings		**(488,686)**	(122,829)
Proceeds of loans from Bitauto Group	34	**1,294,053**	730,362
Repayment of loans from Bitauto Group	34	**(1,702,629)**	(969,080)
Proceeds from issuance of convertible redeemable preferred shares	26	**1,064,819**	3,653,728
Payment of issuance costs of convertible redeemable preferred shares	9	**(14,318)**	(21,219)
Proceeds from issuance of ordinary shares relating to the initial public offering	21	**5,744,330**	—
Payment of issuance cost of ordinary shares relating to the initial public offering	21	**(215,575)**	—
Proceeds from exercise of share options		**1,074**	—
Interest paid		**(1,083,160)**	(141,092)
Net cash generated from financing activities		**18,424,209**	14,449,297
Net increase/(decrease) in cash and cash equivalents		**5,245,640**	(96,470)
Cash and cash equivalents at beginning of year		**660,852**	710,393
Exchange (losses)/gains on cash and cash equivalents		**(81,786)**	46,929
Cash and cash equivalents at end of year		**5,824,706**	660,852

The notes on pages 119 to 245 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information, reorganizations and basis of presentation

1.1 General information

Yixin Group Limited (the "Company", 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 facilitation and value-added services, and advertising and subscription services ("Transaction Platform Business"); and (ii) the provision of automobile financing services, which primarily include financing lease services and operating 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 (prior to Capitalization Issue (Note 21)) 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 (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1.1 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 December 31, 2017, 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 (2016: nil).

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

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

1.2 History and reorganization of the Group

History of the Group's Transaction Platform Business

The Group's Transaction Platform Business was comprised of the Auto Finance Transaction Business and Used Automobile Transaction Business (both as defined below) for the years ended December 31, 2017 and 2016.

Before the incorporation of the Company and Beijing Yixin (as defined below), the auto finance transaction business ("Auto Finance Transaction Business"), which mainly offers advertising and subscription services to banks and auto finance companies, was carried out by the auto finance department (the "Auto Finance Department") of Bitauto Group, which was established in December 2013 as a business unit across two wholly-owned subsidiaries of Bitauto, namely Beijing Bitauto Internet Information Co., Ltd. (established on January 20, 2006) and Beijing Bitauto Interactive Advertising Co., Ltd. (established on December 12, 2007). The used automobile transaction business ("Used Automobile Transaction Business"), which mainly offers transaction facilitation services for used automobiles and advertising and subscription services to automakers and auto dealers, was carried out by Beijing Xinbao Information Technology Co., Ltd. ("Beijing Xinbao"), established on February 2, 2008 and KKC Holdings Limited and its subsidiaries ("KKC"), of which Bitauto Group acquired the majority equity interest in November 2016 (Note 33(a)).

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

1.2 History and reorganization of the Group (continued)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1.2 History and reorganization of the Group (continued)

History of the Group's Self-operated Financing Business

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

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

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

2015 Reorganization

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

2017 Reorganization

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

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

1.2 History and reorganization of the Group (continued)

2017 Reorganization (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Notwithstanding that the Group's accumulated loss was RMB19,869,121,000, which was mainly due to the accumulated non-cash fair value loss of the Group's convertible redeemable preferred shares, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital after considering the cash inflows from the following sources:

i) internally generated funds;

ii) proceeds from securitization of its existing finance receivables; and

iii) existing available credit facilities.

Accordingly, the directors consider that it is appropriate that the consolidated financial statements are prepared on a going concern basis.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2017:

- Recognition of Deferred Tax Assets for Unrealized Losses — Amendments to IAS 12;
- Disclosure initiative – amendments to IAS 7;
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2; and
- Annual Improvements to IFRS Standards 2014–2016 Cycle,

The adoption of these amendments did not have any impact on the amounts recognized in the current period or any prior periods and is not likely to affect future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective until January 1, 2018 and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 4 Amendments	Applying IFRS 9 with IFRS 4 Insurance Contracts	January 1, 2018
Amendment to IFRS 2	Classification and measurement of share-based payment transactions	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
Amendment to IAS 40	Transfer of investment property	January 1, 2018
Amendments to IFRSs	Annual improvements to IFRSs 2014–2016 cycle	January 1, 2018
IFRS 16	Lease	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, "Financial instruments"

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income which will not be recycling to profit or loss. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of this new standard on January 1, 2018:

The major equity investments held by the Group are currently measured at fair value through profit or loss, which would likely continue to be measured on the same basis under IFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 9, "Financial instruments" (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities as at December 31, 2017. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. The impairment requirements are applied retrospectively by adjusting opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives. While the impairment model is based on various assumptions, judgements and estimation techniques that remain subject to change until the Group finalizes its financial statements for the year ending December 31, 2018, the Group currently expects the adoption will increase the level of the Group's provision for credit losses of its finance receivables on January 1, 2018, and correspondingly reduce the Group's net assets.

The Group does not expect the new hedging guidance to have a significant impact as the Group has not entered into any hedging arrangements for the year ended December 31, 2017.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 15, "Revenue from contracts with customers"

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (i) identify the contract(s) with customers; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customers for an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on "earnings processes" to an "asset-liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Revenue recognition may be impacted when multiple performance obligations are identified.

The Group will adopt the standard on its mandatory effective date, and the standard will be applied on a retrospective basis, recognizing the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings. The Group has substantially completed its evaluation of the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 16, "Leases"

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The accounting for lessors will not significantly change. Accordingly, it is not expected to have a significant impact on the financial position and performance for the Group as a lessor. A key change arising from IFRS 16 is that most operating leases will be accounted for on the balance sheet of lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.26 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, set out in Note 32. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the new reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement, the operating lease expenses will decrease, while the amortization and interest expense will increase. The new standard is not expected to apply until the financial year 2019. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at December 31, 2017 were RMB83,656,000 with the minimum lease payments due less than one year amounting to approximately RMB33,144,000, those due more than one year and less than five years amounting to approximately RMB48,689,000, and those due more than five years amounting to approximately RMB1,823,000.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Subsidiaries controlled through Contractual Agreements

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

- govern the financial and operating policies of Beijing Yixin;

- exercise equity holders' voting rights of Beijing Yixin;

- receive substantially all of the economic interest returns generated by Beijing Yixin in consideration for the business support, technical and consulting services provided by Beijing KKC;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Agreements (continued)

- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Yixin from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Beijing KKC may exercise such options at any time until it has acquired all equity interests of Beijing Yixin; and

- obtain a pledge over the entire equity interests of Beijing Yixin from its respective equity holders as collateral security for all of Beijing Yixin's payments due to Beijing KKC and to secure performance of Beijing Yixin's obligation under the Contractual Arrangements.

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

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Business combinations*

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Business combinations (continued)*

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

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

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

(d) *Disposal of subsidiaries*

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

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

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

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

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

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

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

Investments in associates in the form of ordinary shares with preferential rights or redeemable convertible preferred shares are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss (Note 2.9).

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

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

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

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

2.6 Property and equipment

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

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

2 Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.7 Intangible assets

(a) Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(a) Goodwill (continued)

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

(b) Trademarks and licenses

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

(c) Customer relationships

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

(d) Domain names

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

(e) Computer software and technology

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

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(e) Computer software and technology (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(f) Business Cooperation Agreements

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

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets

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

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group has the following instruments falling into this category: certain ordinary shares with preferential rights or redeemable convertible preferred shares issued by investee companies, which are hybrid instruments with embedded derivatives not closely related to the host contract. The Company designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the embedded derivatives from the host contract.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As at December 31, 2017 and 2016 the Group's investments in this category are all classified as non-current assets.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.1 Classification (continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise of "trade receivables", "finance receivables", "deposits and other assets", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period. As at December 31, 2017 and 2016, none of the Group's financial assets are classified as available-for-sale financial assets.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of "other gains, net" when the Group's right to receive payments is established.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement (continued)

Changes in the fair value of financial assets classified as available-for-sale financial assets are recognized in other comprehensive income.

When financial assets classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as "gains and losses from available-for-sale financial assets".

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the consolidated income statement as part of "other gains, net". Dividends on available-for-sale financial assets are recognized in the consolidated income statement as part of "other gains, net" when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale financial assets (continued)

For equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the financial assets below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Convertible redeemable preferred shares ("Preferred shares") are classified as liabilities (Note 2.16).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.15 Trade payables

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

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

2.16 Convertible redeemable preferred shares

Convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 26.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated income statement.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the consolidated income statement.

The convertible redeemable preferred shares are classified as non-current liabilities because the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.17 Borrowings

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

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

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

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences (continued)

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

(c) Offsetting

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

2.20 Employee benefits

(a) Pension obligations

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

(b) Employee leave entitlements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.20 Employee benefits (continued)

(c) Bonus plans

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

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

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

In terms of the share options awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

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

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

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

2 Summary of significant accounting policies (continued)

2.21 Share-based payments (continued)

(b) Share-based payment transactions among group entities

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

(c) Bitauto ESOP

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

2.22 Provisions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Transaction Platform Business

The Group mainly provides (i) facilitation and value-added services and (ii) advertising and subscription services to automakers, automobile dealers and insurance companies.

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. The Group also recognizes sales revenue of vehicle telematics devices upon transfer of the title and associated risks and rewards of the devices to its business partners.

Revenue from advertising services is recognized when the advertisements are published over the stated display period, and when the collectability is reasonably assured.

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 records amounts received prior to revenue recognition in advances from customers, which is included in "other payables and accruals" on the Group's consolidated balance sheet.

The Group also serves auto dealers with designed promotional campaigns. The Group recognizes revenue when the promotional services have been rendered, and the collectability is reasonably assured.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(b) Self-operated Financing Business

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

The Group also recognizes revenue from direct automobile sales to automobile dealers and institutional customers. The revenue is recorded on a gross basis as the Group acts as the principal, is primarily responsible for the sales arrangements and is subject to inventory risk. Revenue from direct automobile sales is recognized when a sales contract has been executed and the automobiles have been delivered.

2.24 Dividend income

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

2.25 Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.26 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where the Group is a lessee and a significant portion of the risks and rewards of ownership of an asset or assets are retained by the lessor, the lease is classified as an operating lease. Operating lease payments are recognized as an expense in profit or loss on the straight-line basis over the lease term.

Where the Group is a lessor and the Group does not transfer substantially all the risks and benefits of ownership of an asset or assets, the lease is classified as an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Where the Group is a lessee and the Group has substantially all the risks and rewards of ownership of an asset or assets, the lease is classified as a finance lease. Finance leases are capitalized at inception of the lease at the fair value of the leased property or, if lower, present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Where the Group is a lessor and the Group transfers substantially all the risks and rewards of ownership of an asset or assets to the lessee, the lease is classified as a finance lease. The leased property and equipment held should be presented as a receivable at an amount equal to the net investment in the lease. The finance lease income is recognized over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance lease.

2 Summary of significant accounting policies (continued)

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Group's subsidiaries operate in the PRC and are exposed to foreign exchange risk arising from US$. The Group's foreign exchange risk primarily arises when the recognized assets and liabilities of the Group's PRC subsidiaries are denominated in US$. Considering the HK$ is pegged with the US$, management is of the opinion that the currency exposure arising from HK$ transactions is not significant to the Company.

For the Group's PRC subsidiaries whose functional currency is RMB, if US$ had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year ended December 31, 2017 would have been approximately RMB397,000 (2016: RMB421,000) lower/ higher respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

As at December 31, 2017, the Group's borrowings with floating rates amounted to RMB5,283,042,000 (2016: RMB2,262,627,000) and borrowings with fixed rates amounted to RMB19,812,093,000 (2016: RMB9,056,800,000).

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's loss for the year ended December 31, 2017 would have been approximately RMB30,066,000 (2016: RMB3,511,000) higher/lower.

The convertible redeemable preferred shares expose the Group to fair value interest rate risk as at December 31, 2016, and are converted into the Group's ordinary shares and no longer expose the Group to fair value interest rate risk as at December 31, 2017 (Note 4.1(b)).

(b) Credit risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the Group's trade receivables, finance receivables and other receivables.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets, financial liabilities and off-balance sheet operating lease commitments (Note 32(b)) based on contractual undiscounted cash flows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2017			
Financial assets			
Finance receivables	16,484,905	17,224,604	33,709,509
Trade receivables	680,135	—	680,135
Deposits and other assets	237,967	389,673	627,640
Restricted cash	361,234	150,000	511,234
Cash and cash equivalents	5,824,706	—	5,824,706
	23,588,947	17,764,277	41,353,224
Financial liabilities			
Borrowings	18,230,290	8,221,531	26,451,821
Trade payables	947,751	—	947,751
Other payables and accruals (excluding advance from customers, staff costs and welfare accruals, and other accruals)	722,343	—	722,343
Other non-current liabilities (excluding deferred revenue)	—	79,643	79,643
Off-balance sheet — operating lease commitments	33,144	50,512	83,656
	19,933,528	8,351,686	28,285,214
Net	3,655,419	9,412,591	13,068,010

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At December 31, 2016			
Financial assets			
Finance receivables	7,805,828	8,935,544	16,741,372
Trade receivables	180,145	—	180,145
Deposits and other assets	413,353	85,702	499,055
Restricted cash	3,027,631	150,000	3,177,631
Cash and cash equivalents	660,852	—	660,852
	12,087,809	9,171,246	21,259,055
Financial liabilities			
Borrowings	8,423,494	3,417,244	11,840,738
Trade payables	508,385	—	508,385
Other payables and accruals (excluding advance from customers, staff costs and welfare accruals, and other accruals)	1,213,918	—	1,213,918
Other non-current liabilities (excluding deferred revenue)	—	100,089	100,089
Off-balance sheet — operating lease commitments	18,040	39,274	57,314
	10,163,837	3,556,607	13,720,444
Net	1,923,972	5,614,639	7,538,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at December 31, 2016, Preferred Shares were classified as non-current liabilities because the Group believes the likelihood of a redemption event occurring is remote and it has unconditional rights to defer settlement of the liability for at least 12 months after the end of each reporting period.

The maximum exposure from the redemption of Preferred Shares is the contractual redemption price, which is equal to 100% of the respective issue price plus 8% per annum interest accrued during the period from the issuance of the Preferred Shares until the date on which the redemption price is paid in full, plus any declared but unpaid dividends if a redemption event occurs as described in Note 26. The Group recognizes the Preferred Shares at fair value through profit or loss. Accordingly, Preferred Shares are managed on a fair value basis rather than by maturity dates. Upon completion of the IPO, all the convertible redeemable preferred shares were automatically converted to ordinary shares.

The Group's financial assets at fair value through profit or loss are the investments in private companies, which are managed on a fair value basis rather than by maturity dates.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet and loans due to a related party) less cash and cash equivalents and restricted cash. The Group does not consider the amount of Preferred Shares when calculating net debt. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

3 Financial risk management (continued)

3.2 Capital management (continued)

The Group's debt to equity ratio and net position of the Group as at December 31, 2017 and 2016 was as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Borrowings (Note 27)	**25,095,135**	11,319,427
Loans due to a related party (Note 34)	**200,000**	614,055
Total borrowings	**25,295,135**	11,933,482
Less: cash and cash equivalents and restricted cash (Note 20)	**(6,335,940)**	(3,838,483)
Net debt	**18,959,195**	8,094,999
Total equity	**15,342,023**	(1,384,475)
Total capital	**34,301,218**	6,710,524
Gearing ratio	**55%**	121%

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2017 and 2016, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 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	**—**	**—**	**156,829**	**156,829**

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2016:

	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	—	—	150,000	150,000
Liabilities:				
Convertible redeemable preferred shares	—	—	8,071,817	8,071,817

(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.

3 Financial risk management (continued)

3.3 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.

(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 and convertible redeemable preferred shares.

The changes in level 3 instruments of convertible redeemable preferred shares for the years ended December 31, 2017 and 2016 are presented in the Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended December 31, 2017 and 2016.

	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
At January 1, 2017	**150,000**	**150,000**
Additions	**—**	**—**
Change in fair value (Note 6)	**6,829**	**6,829**
At December 31, 2017	**156,829**	**156,829**
Total unrealized gains and change in fair value for the year included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	**6,829**	**6,829**
At January 1, 2016	17,126	17,126
Additions	150,000	150,000
Change in fair value (Note 6)	(17,126)	(17,126)
At December 31, 2016	150,000	150,000
Total unrealized losses and change in fair value for the year included in "Other gains, net" for financial assets at fair value through profit or loss held at the end of the year	(17,126)	(17,126)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private companies. 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.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, loss for the years ended December 31, 2017 would have been approximately RMB15,683,000 (2016: RMB1,712,000) lower/higher respectively.

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) Fair value of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 26.

All convertible redeemable preferred shares of the Company had been converted into ordinary shares of the Company upon its IPO on November 16, 2017 (Note 26).

(c) Impairment provision for trade and other receivables

Management assesses the impairment of trade and other receivables according to the trade and other receivables' aging, prior experiences and customers' conditions as well as applying management's judgements and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables.

(d) Provision for credit losses of finance receivables

Management assesses the provision for credit losses of finance receivables collectively based on its estimates on historical experience and on various other assumptions that are believed to be reasonable, including estimated loss percentages of contracts and historical pattern of the migration of overdue balances. Management reassesses the provision at each balance sheet date. Changes in the estimates could have a material impact on the balance of provision for credit losses of finance receivables.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Fair value of intangible assets acquired through business combinations and reorganizations

The Group records intangible assets acquired through business combinations and reorganizations at fair value on the date of acquisition or reorganizations. The directors have used a number of valuation of methodologies, including the cost saving method and with and without method, to determine the fair value of the intangible assets. Significant judgement is used to estimate the fair value of the assets acquired, including estimating future cash flows or cost savings generated from the asset, determining key assumptions including discount rate, estimated useful life and other assumptions, which are disclosed in Note 13. Changes in these assumptions and estimates could materially impact on the fair value of these intangible assets.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Transaction Platform Business
- Self-operated Financing Business

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment gross profit and segment operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenues minus segment cost of revenues. Cost of revenues for 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

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 year ended December 31, 2017 as follows:

	Year ended December 31, 2017		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	**963,900**	**2,941,609**	**3,905,509**
Gross profit	**751,223**	**1,438,690**	**2,189,913**
Operating loss	**(111,797)**	**(492,789)**	**(604,586)**

The segment results for the year ended December 31, 2016 as follows:

	Year ended December 31, 2016		
	Transaction Platform Business RMB'000	Self-operated Financing Business RMB'000	Total RMB'000
Revenues	212,152	1,275,745	1,487,897
Gross profit	170,218	564,791	735,009
Operating profit	7,322	88,319	95,641

5 Segment information (continued)

The major customers which contributed more than 10% of the total revenues of the Company for the years ended December 31, 2017 and 2016 are listed as below.

	Year ended December 31,	
	2017	2016
	%	%
Self-operated Financing Business		
Customer A	*	15.6%
Customer B	*	10.3%

Note:

* represents that the amount of revenues from such customer is less than 10% of the total revenues for that year. None of the customers of the Group's Transaction Platform Business have accounted for more than 10% of the Group's total revenues for the years ended December 31, 2017 and 2016.

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

As at December 31, 2017 and 2016, substantially all of the non-current assets of the Group were located in the PRC.

The reconciliation of operating loss to loss before income tax for the years ended December 31, 2017 and 2016 is presented in the consolidated income statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

The segment information provided to the Group's CODM for the operating segments for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31,	
	2017	2016
Transaction platform business (a)	**963,900**	212,152
Provision of financing services	**2,653,071**	767,250
Provision of operating leases	**163,640**	12,223
Sales of automobiles	**103,526**	473,017
Others	**21,372**	23,255
	3,905,509	1,487,897

Note:

(a) The revenue generated from transaction platform business for the years ended December 31, 2017 includes sales of vehicle telematics devices amounting to RMB309,581,000 (2016: nil).

6 Other gains, net

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Fair value gain/(loss) on financial assets (Note 15)	**6,829**	(17,126)
Government grants	**19,920**	18,294
Gains/(Losses) on disposal of property and equipment	**16,207**	(44)
Foreign exchange (losses)/gains, net	**(7,110)**	9,082
Others, net	**(13,454)**	7,205
	22,392	17,411

7 Expenses by nature

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses (Note 8)	**1,620,340**	302,234
Funding costs	**1,137,807**	187,233
Marketing and advertising expenditures	**479,682**	109,016
Depreciation and amortization charges (Note 12, 13)	**285,743**	46,952
Leasing related expenses	**174,730**	96,261
Provision for credit losses of finance receivables (Note 17)	**196,320**	29,052
Cost of vehicle telematics devices sold	**126,869**	—
Office and administrative expenses	**112,271**	63,393
Cost of automobiles sold	**103,342**	471,736
Listing expenses	**54,346**	—
Provision for impairment of trade receivables (Note 18)	**39,777**	34,951
Provision for impairment of other receivables (Note 19)	**22,101**	2,606
Auditors' remuneration		
— Audit services	**3,515**	2,065
— Non-audit services	**1,443**	—
Other expenses	**174,201**	64,168
Total cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses	**4,532,487**	1,409,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**557,578**	239,825
Pension costs — defined contribution plans	**1,406**	23,987
Other social security costs, housing benefits and other employee benefits	**148,323**	32,609
Share-based compensation expenses (Note 23)	**913,033**	5,813
Total employee benefit expenses	**1,620,340**	302,234

(a) Senior management's emoluments

Senior management includes executive directors and other senior management personnel. The aggregate compensation paid/payable to senior management for employee services is as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**15,353**	7,009
Pension costs — defined contribution plans	**328**	207
Other social security costs, housing benefits and other employee benefits	**230**	194
Share-based compensation expenses	**850,239**	316
	866,150	7,726

8 Employee benefit expenses (continued)

(a) Senior management's emoluments (continued)

The emoluments fell within the following bands:

	Numbers of individuals Year ended December 31, 2017	2016
Nil to HK$500,000	–	3
HK$500,001 to HK$1,000,000	–	1
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	3
HK$3,000,001 to HK$3,500,000	2	–
HK$4,500,001 to HK$5,000,000	1	–
HK$9,000,001 to HK$9,500,000	1	–
HK$18,500,001 to HK$19,000,000	1	–
HK$34,500,001 to HK$35,000,000	1	–
HK$70,000,001 to HK$75,000,000	1	–
HK$850,000,001 to HK$850,500,000	1	–
	9	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2017 include 2 directors (2016: 1) whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining 3 for each of the years ended December 31, 2017 (2016: 4) are as follows:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses	**8,903**	6,862
Pension costs — defined contribution plans	**111**	178
Other social security costs, housing benefits and other employee benefits	**63**	215
Share-based compensation expenses	**45,369**	367
	54,446	7,622

The emoluments fell within the following bands:

	Numbers of individuals Year ended December 31, 2017	2016
Nil to HK$500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**—**	2
HK$9,000,001 to HK$9,500,000	**1**	1
HK$18,500,001 to HK$19,000,000	**1**	1
HK$34,500,001 to HK$35,000,000	**1**	—
	3	4

9 Finance income and expenses

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Finance income:		
— Interest income	**50,081**	15,755
	50,081	15,755
Finance expenses:		
— Interest expenses	**(3,035)**	(8,031)
— Issuance costs of convertible redeemable preferred shares	**(14,318)**	(21,219)
	(17,353)	(29,250)
Net finance income/(expenses)	**32,728**	(13,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense

The income tax expense of the Group for the years ended December 31, 2017 and 2016 is analyzed as follows:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Current income tax	**111,240**	64,303
Deferred income tax (Note 28)	**(44,910)**	(5,960)
Income tax expense	**66,330**	58,343

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities as follows:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Loss before income tax	**(18,270,224)**	(1,345,995)
Tax calculated at PRC statutory income tax rate of 25%	**(4,567,556)**	(336,499)
Tax effects of:		
— Differential income tax rates applicable to certain entities comprising the Group (Note (a),(b))	**4,651,758**	370,307
— Tax effect of preferential tax treatments (Note (c))	**(96,302)**	—
— Expenses not deductible for tax purposes	**74,471**	29,251
— Tax losses for which no deferred income tax asset was recognized	**976**	—
— Utilization of previously unrecognized tax losses	**(915)**	(4,370)
Others	**3,898**	(346)
Income tax expense	**66,330**	58,343

10 Income tax expense (continued)

(a) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company, including the fair value loss of Preferred Shares (Note 26), is not subject to any income tax.

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2017 and December 31, 2016.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2017 and December 31, 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (continued)

(d) PRC Withholding Tax ("WHT")

According to the PRC Enterprise Income Tax Law ("EIT Law"), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

For the years ended December 31, 2017 and December 31, 2016, 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

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended December 31, 2017 has been retroactively adjusted for the Capitalization Issue (Note 21).

(a) Basic

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

	Year ended December 31,	
	2017	2016
Loss attributable to owners of the Company (RMB'000)	**(18,330,870)**	(1,401,333)
Weighted average number of ordinary shares in issue	**1,612,050,915**	944,993,420
Basic loss per share (expressed in RMB per share)	**(11.37)**	(1.48)

11 Loss per share (continued)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2017, the Company had two categories of potential ordinary shares, i.e. convertible redeemable preferred shares issued by the Company before conversion to ordinary shares on November 16, 2017 (Note 26) and the shares options awarded under the Pre-IPO Share Option and Share Award Schemes (Note 23). For the year ended December 31, 2016, the Company had one category of potential ordinary shares, i.e. convertible redeemable preferred shares issued by the Company (Note 26). As the Group incurred losses for the years ended December 31, 2017 and 2016, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2017 and 2016 are the same as basic loss per share of the respective years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property and equipment

	Office equipment RMB'000	Automobiles for corporate uses RMB'000	Automobiles for operating leases RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at January 1, 2017					
Cost	**22,637**	**2,938**	**84,318**	**7,284**	**117,177**
Accumulated depreciation	**(3,810)**	**(341)**	**(7,744)**	**(1,536)**	**(13,431)**
Net book amount	**18,827**	**2,597**	**76,574**	**5,748**	**103,746**
For the year ended December 31, 2017					
Opening net book amount	**18,827**	**2,597**	**76,574**	**5,748**	**103,746**
Additions	**31,314**	**7,837**	**1,421,140**	**7,116**	**1,467,407**
Disposals	**(110)**	**(212)**	**(213,723)**	**(312)**	**(214,357)**
Distribution to Bitauto Group in 2017 Reorganization	**(493)**	**—**	**—**	**(102)**	**(595)**
Depreciation charge	**(7,305)**	**(1,192)**	**(136,448)**	**(2,712)**	**(147,657)**
Closing net book amount	**42,233**	**9,030**	**1,147,543**	**9,738**	**1,208,544**
As at December 31, 2017					
Cost	**52,357**	**10,438**	**1,267,556**	**13,951**	**1,344,302**
Accumulated depreciation	**(10,124)**	**(1,408)**	**(120,013)**	**(4,213)**	**(135,758)**
Net book amount	**42,233**	**9,030**	**1,147,543**	**9,738**	**1,208,544**
For the year ended December 31, 2016					
Opening net book amount	5,570	1,205	—	3,960	10,735
Additions	15,681	3,053	84,455	2,427	105,616
Disposals	(7)	(1,173)	(116)	(84)	(1,380)
Business combination (Note 33)	463	—	—	748	1,211
Depreciation charge	(2,880)	(488)	(7,765)	(1,303)	(12,436)
Closing net book amount	18,827	2,597	76,574	5,748	103,746
As at December 31, 2016					
Cost	22,637	2,938	84,318	7,284	117,177
Accumulated depreciation	(3,810)	(341)	(7,744)	(1,536)	(13,431)
Net book amount	18,827	2,597	76,574	5,748	103,746

12 Property and equipment (continued)

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of revenues	**136,448**	7,768
Selling and marketing expenses	**2,980**	2,275
Administration expenses	**7,359**	2,177
Research and development expenses	**870**	216
	147,657	12,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets

	Goodwill (c) RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements (a)(b) RMB'000	Total RMB'000
As at January 1, 2017							
Cost	115,848	22,201	30,700	25,785	17,652	92,067	304,253
Accumulated amortization	–	(1,537)	(536)	(767)	(1,075)	(57,542)	(61,457)
Net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
For the year ended December 31, 2017							
Opening net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
Additions	–	11,473	–	4,242	7,909	–	23,624
Business combination (Note 33)	5,194	13,896	–	–	3,290	–	22,380
Disposals	(4,326)	(13,896)	–	–	(27)	–	(18,249)
2017 Reorganization	–	–	–	–	–	2,252,296	2,252,296
Amortization charge	–	(2,696)	(3,215)	(2,843)	(4,408)	(124,924)	(138,086)
Closing net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761
As at December 31, 2017							
Cost	116,716	33,673	30,700	30,027	28,771	2,344,363	2,584,250
Accumulated amortization	–	(4,232)	(3,751)	(3,610)	(5,430)	(182,466)	(199,489)
Net book amount	116,716	29,441	26,949	26,417	23,341	2,161,897	2,384,761

13 Intangible assets (continued)

	Goodwill (c) RMB'000	Trademarks and licenses RMB'000	Customer relationships RMB'000	Domain names RMB'000	Computer software and technology RMB'000	Business Cooperation Agreements (a)(b) RMB'000	Total RMB'000
For the year ended December 31, 2016							
Opening net book amount	—	7	—	—	674	65,214	65,895
Additions	—	22,194	—	8,585	868	—	31,647
Business combination (Note 33)	115,848	—	30,700	17,200	16,022	—	179,770
Amortization charge	—	(1,537)	(536)	(767)	(987)	(30,689)	(34,516)
Closing net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796
As at December 31, 2016							
Cost	115,848	22,201	30,700	25,785	17,652	92,067	304,253
Accumulated amortization	—	(1,537)	(536)	(767)	(1,075)	(57,542)	(61,457)
Net book amount	115,848	20,664	30,164	25,018	16,577	34,525	242,796

Notes:

(a) Business Cooperation Agreements

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

The 2015 Traffic Support Services is comprised of automobile financing services traffic support agreement. The automobile financing services traffic support agreement refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group. It is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the forecasted number of transaction leads that will be referred to the Group, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group applied a discount rate of 16.2% for valuing the 2015 Traffic Support Services. The intangible asset is amortized on a straight-line basis over 3 years up to February 16, 2018, which is the term stipulated in the 2015 Traffic Support Services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

(a) Business Cooperation Agreements (continued)

The 2017 Traffic Support Services is comprised of automobile financing services traffic support agreement and used automobile-related business traffic support agreement. The automobile financing services traffic support agreement refers to all enquiries regarding automobile related financing, leasing, and/or insurance services and products arising from Bitauto Group, and will be directed from Bitauto Group to the Group commencing on February 17, 2018, that is, upon the expiry of the 2015 Traffic Support Services. The used automobile-related business traffic support agreement refers to all enquiries regarding used automobile-related business arising from Bitauto Group, and is directed from Bitauto Group to the Group commencing on May 26, 2017. Such used automobile-related business traffic support agreement was not included in the 2015 Traffic Support Services. The 2017 Traffic Support Services is recognized at its fair value, which is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14% to the estimated cost saving for each year to determine the fair value. As there is a commitment on the number of transaction leads, the 2017 Traffic Support Services is/will be amortized on an actual usage basis, i.e. based on the actual number of transaction leads directed to the Group by Bitauto Group during the year or period.

The Non-compete Undertakings is recognized at its fair value, which is established using the with and without method. The Group applied a discount rate of 16% for valuing the Non-compete Undertakings. The intangible asset is amortized on a straight-line basis over 15 years. The Group determined the useful life of the Non-compete Undertakings to be 15 years based on the following reasons: (i) there is no specific contractual expiration date for the Non-compete Undertakings. According to the Business Cooperation Agreements, the undertakings would remain in effect until Bitauto Group holds less than 10% equity interest in the Company and is no longer entitled to nominate director(s) of the Company. Given the significant strategic role of the Group in Bitauto Group's overall business plan, currently and in the foreseeable future, such undertakings would remain and continue in effect; and (ii) for the purpose of fair value assessment, after consultation with its appraisal firm, the Group decided to perform valuation for the assets for up to 15 years, which would be sufficient to capture the vast majority of the cash flow generated from the assets. Management noted that the length of such 15-year period is aligned with the Group's long-term strategies and business development plans.

The Automobile Model Database is recognized at its fair value, which is established using the cost saving method. The Group applied a discount rate of 14% for valuing the Automobile Model Database. The intangible asset is amortized on a straight-line basis over 20 years which is the term stipulated in the Business Cooperation Agreements.

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

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

13 Intangible assets (continued)

(a) Business Cooperation Agreements (continued)

As at December 31, 2017, the balance of Business Cooperation Agreements acquired upon the completion of 2017 Reorganization amounted to RMB2,158,061,000.

As at December 31, 2017, the directors are not aware of any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable.

(b) Impairment test for 2017 automobile financing services traffic support agreement

For the 2017 automobile financing services traffic support agreement that is not yet in use, management performed an impairment test as at December 31, 2017 by comparing the fair value less costs of disposal with the carrying amount of the intangible assets. The fair value is established using the cost saving method. The cost saving is estimated by (i) the number of transaction leads that will be referred to the Group, which is agreed upon in the 2017 Traffic Support Services, multiplied by (ii) the expected unit price of the leads, which is determined from a market participant perspective by referencing to a number of comparable transactions. The Group further applied a discount rate of 14% to the estimated cost saving for each year to determine the fair value.

The Group noted the fair value of the intangible asset less costs of disposal exceeded its carrying amount and concluded the 2017 automobile financing services traffic support agreement is not impaired as at December 31, 2017.

(c) Impairment test for goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. As at December 31, 2017, the goodwill is monitored by management at the operating segment level, as identified in Note 5. A segment level summary of the goodwill allocation is presented below.

	RMB'000
Transaction Platform Business	
— KKC	**115,848**
Others	**868**
	116,716

As at December 31, 2017, the goodwill impairment test was performed at operating segment level. The recoverable amount was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-years period with a terminal value related to the future cash flows of extrapolated using the estimated growth rates stated below beyond the five-years period. The Group believes that it is appropriate to cover a five-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. While the industry consultant hired by the Group has provided projections for a five-year period, the management leveraged their extensive experiences in automobile and finance industries and provided forecast for an extended period based on past performance and their expectation of future business plans and market developments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Intangible assets (continued)

(c) Impairment test for goodwill (continued)

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 52.7% for a five-years period, and (ii) discount rate, which is 20.0%. The estimated growth rate used in the value-in-use calculations for period beyond the five-years period is 3.0%.

The revenue growth rates applied by the Group are consistent with those estimated by the industry reports, and do not exceed the long-term average growth rates of the industry the Company operates. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks.

As at December 31, 2017, the directors are of the view that there was no evidence of impairment of goodwill.

The Group has performed a sensitivity analysis on key assumptions used in management's 2017 annual impairment test of goodwill. As at December 31, 2017, the recoverable amount calculated based on value in use exceeded carrying value by RMB8.8 billion. Had the estimated revenue during the forecast period been 3% percentage lower, the remaining headroom would be decreased to RMB8.1 billion. A reasonably possible change in key assumptions used in the impairment test of goodwill would not cause the carrying amount to exceed its recoverable amount as at December 31, 2017.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of revenues	**5,513**	2,073
Selling and marketing expenses	**129,980**	30,903
Administration expenses	**2,293**	1,511
Research and development expenses	**300**	29
	138,086	34,516

14 Investment in an associate in the form of ordinary shares

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**100**	100
Additions	**15,933**	—
Distribution to Bitauto Group in 2017 Reorganization	**(100)**	—
Share of profit of an associate	**118**	—
At end of the year	**16,051**	100

Investment in an associate in the form of ordinary shares as at December 31, 2017 is as follows:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method	Investment date
Beijing Anxinbao Insurance Brokerage Co., Ltd. (Formerly known as Beijing Meibang Insurance Brokerage Co., Ltd.)	PRC	25.00	Note (a)	Equity	June 26, 2017 and November 28, 2017

Note:

(a) On April 6, 2017, the Group acquired 100% of the equity interests of Beijing Anxinbao Insurance Brokerage Co., Ltd. ("Anxinbao Insurance"), a company specializing in insurance brokerage business, for a cash consideration of approximately RMB23,730,000. On June 26, 2017, the Group disposed 75% of the equity interests of Anxinbao Insurance to an independent third party for a cash consideration of approximately RMB17,798,000. On November 28, 2017, the Group and the other shareholder of Anxinbao Insurance made a follow-up investment for RMB40,000,000, whereby the Group invested RMB10,000,000 and retained the same ownership interest in the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investment in an associate in the form of ordinary shares (continued)

Summarized financial information of investment in an associate in the form of ordinary shares

Set out below is the summarized financial information of Anxinbao Insurance as at December 31, 2017 which is accounted for using the equity method used by the Group.

Summarized balance sheet

	As at December 31, 2017 RMB'000
Current assets	**59,956**
Non-current assets	**14,153**
Current liabilities	**(10,757)**
Non-current liabilities	**(3,474)**
Net assets	**59,878**

Summarized statement of comprehensive income

	Year ended December 31, 2017 RMB'000
Revenue	**14,598**
Profit for the period	**473**
Total comprehensive income	**473**

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in investment in the associate:

	Year ended December 31, 2017 RMB'000
Net assets	**59,878**
Group's share in %	**25%**
Group's share in RMB	**14,970**
Goodwill	**1,081**
Carry amount	**16,051**

15 Financial assets at fair value through profit or loss

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**150,000**	17,126
Additions	**–**	150,000
Fair value gain/(loss)	**6,829**	(17,126)
At end of the year	**156,829**	150,000

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 contract. 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 years ended December 31, 2017, the Group recorded fair value gain RMB6,829,000 (2016: fair value loss RMB17,126,000) against the carrying amount of its investments in the investee companies, respectively, based on results of its fair value assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Financial instruments by category

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Assets as per balance sheet		
Financial assets at fair value through profit or loss:		
— Long-term investments (Note 15)	**156,829**	150,000
Loans and receivables:		
— Finance receivables (Note 17)	**29,912,822**	14,363,866
— Trade receivables (Note 18)	**680,135**	180,145
— Deposits and other receivables (Note 19)	**627,640**	499,055
— Restricted cash (Note 20(b))	**511,234**	3,177,631
— Cash and cash equivalents (Note 20(a))	**5,824,706**	660,852
	37,713,366	19,031,549

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Liabilities as per balance sheet		
Financial liabilities at fair value through profit or loss:		
— Convertible redeemable preferred shares (Note 26)	**–**	8,071,817
Financial liabilities at amortized cost:		
— Borrowings (Note 27)	**25,095,135**	11,319,427
— Trade payables (Note 24)	**947,751**	508,385
— Other payables (excluding advance from customers, staff costs and welfare accruals, deferred revenue and other accruals) (Note 25)	**722,343**	1,213,918
— Other non-current liabilities (excluding deferred revenue) (Note 29)	**79,643**	100,089
	26,844,872	21,213,636

17 Finance receivables

The Group provides automobile financing lease services on its self-operated financing business. Details of finance receivables as at December 31 , 2017 and 2016 is as below:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Finance receivables		
— Finance receivables, gross	**33,709,509**	16,741,372
— Unearned finance income	**(3,662,518)**	(2,355,020)
Finance receivables, net	**30,046,991**	14,386,352
Less: provision for credit losses	**(134,169)**	(22,486)
Carrying amount of finance receivables	**29,912,822**	14,363,866
Finance receivables, gross		
— Within one year	**16,484,905**	7,805,828
— After one year but not more than five years	**17,224,604**	8,935,544
	33,709,509	16,741,372
Finance receivables, net		
— Within one year	**13,437,607**	6,095,478
— After one year but not more than five years	**16,609,384**	8,290,874
Total	**30,046,991**	14,386,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Finance receivables (continued)

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Finance receivables:		
— Individual customers	**29,779,274**	14,023,136
— Auto dealers	**133,548**	340,730
	29,912,822	14,363,866

An aging analysis of finance receivables is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Not past due	**29,190,773**	14,178,815
Past due		
Up to 1 month	**411,830**	110,032
1 to 3 months	**198,671**	40,331
3 to 6 months	**177,070**	37,584
Over 6 months	**68,647**	19,590
Finance receivables, net	**30,046,991**	14,386,352
Less: provision for credit losses	**(134,169)**	(22,486)
Carrying amount of finance receivables	**29,912,822**	14,363,866

As at December 31, 2017 and 2016, carrying amounts of the finance receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

17 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 January 1, 2017	**22,486**
Charge for the year	**196,320**
Write off	**(84,637)**
At December 31, 2017	**134,169**
At January 1, 2016	—
Charge for the year	29,052
Write off	(6,566)
At December 31, 2016	22,486

18 Trade receivables

	As at December 31,	
	2017 **RMB'000**	2016 RMB'000
Trade receivables	**752,394**	216,632
Less: provision for impairment	**(72,259)**	(36,487)
Trade receivables, net	**680,135**	180,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Trade receivables (continued)

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

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Up to 3 months	**425,535**	84,123
3 to 6 months	**190,275**	16,383
Over 6 months	**64,325**	79,639
	680,135	180,145

As at December 31, 2017 and 2016, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

(b) The Group allows a credit period of no more than 360 days to its customers. As at December 31, 2017, trade receivables of RMB158,158,000 (2016: RMB111,561,000) were past due but not impaired.

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Up to 3 months	**66,560**	17,634
3 to 6 months	**27,273**	15,994
Over 6 months	**64,325**	77,933
	158,158	111,561

There is no objective evidence that would lead to an impairment charge for the trade receivables past due but not impaired as at December 31, 2017 and 2016.

18 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, 2017	**36,487**
Effect of the distribution to Bitauto Group in 2017 Reorganization	**(4,005)**
Charge for the year	**39,777**
At December 31, 2017	**72,259**
At January 1, 2016	1,536
Charge for the year	34,951
At December 31, 2016	36,487

19 Prepayments, deposits and other assets

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Included in non-current assets:		
Prepayment for vehicles	**261,768**	191,360
Vehicles purchased for future leases	**583,298**	250,151
Long-term prepaid expenses	**123,554**	34,983
Deposits and others	**390,266**	85,702
	1,358,886	562,196
Included in current assets:		
Prepaid taxes	**432,663**	124,217
Prepayments	**56,602**	52,546
Advances to used car dealers	**62,843**	14,131
Operational advance to employees	**51,414**	35,987
Other receivables due from related parties (Note 34)	**47,308**	332,806
Deposits	**68,985**	16,828
Others	**65,907**	30,516
	785,722	607,031
Less: provision for impairment	**(21,496)**	(2,606)
	764,226	604,425
Total	**2,123,112**	1,166,621

Notes:

(a) The prepayment for automobiles as at December 31, 2017 includes prepayment to Chetuan amounting RMB115,564,000 (2016: nil) (Note 34(d)).

(b) The prepayments as at December 31, 2017 include prepayments to Beijing Changxing Information Technology Co., Ltd. amounting RMB2,904,000 (2016: RMB28,850,000), and prepayments to Beijing Jingdong Century Information Technology Co., Ltd. amounting RMB9,450,000 (2016: RMB3,831,000), respectively (Note 34(d)).

19 Prepayments, deposits and other assets (continued)

As at December 31 2017 and 2016 , the carrying amounts of prepayments, deposits and other assets are primarily denominated in RMB and approximate their fair values at each of the reporting dates. As at December 31, 2017 and 2016, there are no significant balances that are past due.

	Individually impaired RMB'000
Provision Movement:	
At January 1, 2017	**2,606**
Charge for the year	**22,101**
Write off	**(3,211)**
At December 31, 2017	**21,496**
At January 1, 2016	—
Charge for the year	2,606
At December 31, 2016	2,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents	**5,824,706**	660,852

As at December 31, 2017 and 2016, the carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
US$	**671,292**	38,787
HK$	**2,797,556**	—
RMB	**2,355,858**	622,065
	5,824,706	660,852

20 Cash and bank balances (continued)

(b) Restricted cash

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Term deposits pledged for bank borrowings (a)	**150,000**	3,001,107
Cash deposited in asset-backed securitization vehicles (b)	**211,368**	165,524
Cash pledged for bank notes (c)	**145,227**	—
Other deposits in banks	**4,639**	11,000
	511,234	3,177,631

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.

As at December 31, 2017 and 2016, the carrying amounts of the Group's restricted cash are denominated in the following currencies:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
US$	**—**	2,851,107
RMB	**511,234**	326,524
	511,234	3,177,631

As at December 31, 2017, the applicable interest rates per annum on restricted cash ranged from 0.30% to 2.75% (2016: 0.30%–2.75%) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital and share premium

	Note	Number of ordinary shares	Nominal value of ordinary shares US$'000	Number of preferred shares	Nominal value of preferred shares US$'000
Authorized:					
At January 1, 2017		**988,416,450**	**99**	**511,583,550**	**51**
Reclassification and re-designation on issuance of series C preferred shares	(d)	**(108,551,910)**	**(11)**	**108,551,910**	**11**
Re-designation and reclassification upon conversion of preferred shares into ordinary shares	(g)	**620,135,460**	**62**	**(620,135,460)**	**(62)**
Increase of authorized ordinary shares	(i)	**13,500,000,000**	**1,350**	**–**	**–**
As at December 31, 2017		**15,000,000,000**	**1,500**	**–**	**–**
At January 1, 2016		653,975,310	65	346,024,690	35
Increase of authorized ordinary shares	(a)	500,000,000	50	–	–
Reclassification and re-designation on issuance of series B preferred shares	(b)	(165,558,860)	(16)	165,558,860	16
As at December 31, 2016		988,416,450	99	511,583,550	51

21 Share capital and share premium (continued)

	Note	Number of ordinary shares	Nominal value of ordinary shares US$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:					
At January 1, 2017		**176,270,290**	**13**	**83**	**505,524**
Cancellation of ordinary shares	(e)	**(41,271,230)**	**—**	**—**	**—**
Issuance of ordinary shares to Share Scheme Trusts	(f)	**15,957,262**	**—**	**—**	**—**
Conversion of preferred shares into ordinary shares	(g)	**620,135,460**	**62**	**411**	**28,378,338**
Capitalization Issue for outstanding ordinary shares	(h)	**4,530,807,120**	**453**	**3,003**	**(3,003)**
Capitalization Issue for ordinary shares held by Share Scheme Trusts	(h)	**95,743,572**	**—**	**—**	**—**
Issuance of ordinary shares upon IPO	(j)	**878,680,000**	**88**	**582**	**5,524,495**
Release of ordinary shares from Share Scheme Trusts	(f)	**—**	**—**	**1**	**4,064**
As at December 31, 2017		**6,276,322,474**	**616**	**4,080**	**34,409,418**
At January 1, 2016		134,999,060	13	83	505,524
Newly issued ordinary shares	(c)	41,271,230	—	—	—
As at December 31, 2016		176,270,290	13	83	505,524

Notes:

(a) On August 1, 2016, the Company increased its authorized share capital by US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each.

(b) On August 1, 2016, the Company entered into a share purchase agreement with the series B preferred shares investors ("the Series B Investors"), pursuant to which the Company issued 165,558,860 shares of series B preferred shares at a price of US$3.32 per share with total consideration of US$550,000,000 (equivalent to approximately RMB3,653,728,000). The issuance of series B preferred shares was completed on October 21, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital and share premium (continued)

Notes: (continued)

(c) On August 19, 2016, the Company issued 27,514,153 and 13,757,077 ordinary shares to Above Master Limited and Alpha Start Global Limited, respectively, two entities established in British Virgin Islands to implement share award schemes for the employees of the Group (collectively, "Share Scheme Entities"). As the Company has the power to govern the financial and operating policies of the Share Scheme Entities and can derive benefits from the contributions of the eligible persons who are awarded shares by the schemes, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Entities.

(d) On May 11, 2017, the Company entered into a share subscription agreement with the Series C preferred shares investors and pursuant to which, (i) the Company issued 70,934,920 shares of series C preferred shares to Bitauto, and 4,299,090 shares of series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group non-compete undertakings in relation to the used automobile-related business, (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required number of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database for a total of 20 years; (ii) the Company issued 33,317,900 shares of series C preferred shares at a price of US$4.65 per share with total cash consideration of US$155,000,000 (equivalent to approximately RMB1,064,819,000). The issuance of series C preferred shares was completed on May 26, 2017.

(e) On May 26, 2017, in conjunction with the Company's adoption of Pre-IPO Share Option Scheme and First Share Award Scheme (Note 23(a)), all ordinary shares held by Above Master Limited and Alpha Start Global Limited have been cancelled.

(f) On October 12, 2017, the Company modified the share option agreement with 20 grantees, including 1 director, 6 other senior management members, and 13 other employees, by immediately vesting a total of 15,957,262 share options held by the grantees. On the same date, the grantees exercised the share options in full for 15,957,262 ordinary shares issued by the Company and transferred 7,167,993, 3,439,269 and 5,350,000 ordinary shares to Xindu Limited, Spring Forests Limited and Yidu Limited, respectively, which are trusts established to hold the shares for and on behalf of the grantees (collectively, "Share Scheme Trusts"). The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification. The ordinary shares held by Share Scheme Trusts are not considered issued and outstanding until the grantee's entitlement of the trusts is vested. As at December 31, 2017, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834, after giving effect to the Capitalization Issue (2016: nil). 1,134,000 ordinary shares held by Share Scheme Trusts are issued and outstanding (2016: nil).

(g) Upon completion of the IPO, each issued preferred share was converted into one ordinary share by re-designation and re-classification of every preferred share in issue as an ordinary share on a one for one basis and all the unissued and authorised preferred shares were re-designated and re-classified as ordinary shares.

(h) On November 16, 2017, the Company allotted and issued a total of 4,626,550,692 ordinary shares of US$0.0001 each credited as fully paid at par to the shareholders and convertible redeemable preferred shareholders of the Company whose names appear on the register of members of the Company on the day preceding the date of IPO in proportion to their then existing shareholdings in the Company by capitalizing from the share premium account of the Company ("Capitalization Issue"). The ordinary shares allotted and issued pursuant to the above Capitalization Issue rank pari passu in all respects with the existing issued ordinary shares. Accordingly, a total of 95,743,572 ordinary shares were alloted and issued by the Company to the Share Scheme Trusts.

21 Share capital and share premium (continued)

Notes: (continued)

(i) Upon the conversion of the convertible redeemable preferred shares into ordinary shares, the Company increased its authorized share capital by US$1,350,000 divided into 13,500,000,000 shares with a par value of US$0.0001 each to US$1,500,000 divided into 15,000,000,000 shares with a par value of US$0.0001 each. Each ordinary share created ranks pari passu in all respects with the ordinary shares in issue.

(j) Upon completion of the IPO, the Company issued 878,680,000 new shares at par value of US$0.0001 each for cash consideration of HK$7.7 each, and raised gross proceeds of approximately HK$6,765,836,000 (equivalent to RMB5,744,330,000). The respective share capital amount was approximately RMB582,000 and share premium arising from the issuance was approximately RMB5,524,495,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB219,253,000 were treated as a deduction against the share premium arising from the issuance.

22 Other reserves

	Note	Capital reserves	Statutory surplus reserve (b)	Share-based compensation reserve	Currency translation differences (c)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017		**(21,779)**	**17,149**	**16,618**	**(423,621)**	**(411,633)**
Currency translation differences		–	–	–	662,957	662,957
Capital contribution from owners (a)		(6,170)	–	–	–	(6,170)
2017 Reorganization	1	(403,605)	–	–	–	(403,605)
Share-based compensation	23	–	–	913,033	–	913,033
Release of ordinary shares from Share Scheme Trusts	23	–	–	(4,054)	–	(4,054)
Appropriation to statutory reserves		–	47,118	–	–	47,118
At December 31, 2017		**(431,554)**	**64,267**	**925,597**	**239,336**	**797,646**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Other reserves (continued)

	Note	Capital reserves RMB'000	Statutory surplus reserve (b) RMB'000	Share-based compensation reserve RMB'000	Currency translation differences (c) RMB'000	Total RMB'000
At January 1, 2016		(179,257)	2,233	10,805	(134,145)	(300,364)
Currency translation differences		—	—	—	(289,476)	(289,476)
Capital contribution from owners (a)		157,478	—	—	—	157,478
Share-based compensation	23	—	—	5,813	—	5,813
Appropriation to statutory reserves		—	14,916	—	—	14,916
At December 31, 2016		(21,779)	17,149	16,618	(423,621)	(411,633)

Notes:

(a) Capital contribution from owners of the Group arises from capital contribution by Bitauto Group to entities that were subsequently acquired by the Group in 2015 Reorganization and 2017 Reorganization.

(b) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profits for the year after offsetting accumulated losses carried forward from prior years and before distribution to equity holders. The percentages to be appropriated to such statutory reserves are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated statutory surplus reserve fund is 50% or more of the registered capital of the subsidiaries.

(c) Currency translation differences represent the differences arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

23 Share-based payments

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

On May 26, 2017, the Board of Directors of the Company approved the establishment of the Pre-IPO Share Option Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The Pre-IPO Share Option Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under 2017 Share Incentive Plan shall be 59,780,609 shares, or 418,464,263 shares, after giving effect to the Capitalization Issue.

23 Share-based payments (continued)

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

On May 26, 2017, the Board of Directors of the Company approved the establishment of the First Share Award Scheme which was amended on September 1, 2017, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The First Share Award Scheme shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under First Share Award Scheme shall be 10,118,631 shares, or 70,830,417 shares, after giving effect to the Capitalization Issue.

Subsequently from July 2017 to October 2017, 56,477,387 share options were granted under the Pre-IPO Share Option Scheme to 149 grantees of the Group, including 2 directors, 7 other senior management members and 140 other employees. Subject to the grantee continuing to be an employee of the Group, 49.0%, 17.7%, 12.0%, 12.0%, 9.0% and 0.3% of the share options shall vest in 2017, 2018, 2019, 2020, 2021 and 2022, respectively. The exercise price of the share options is US$0.01 per share.

On September 1, 2017, the Board of Directors of the Company approved the establishment of the Second Share Award Scheme with the purpose of which is to provide an incentive for employees and persons contributing to the Group. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Second Share Award Scheme shall be 5% of the total number of issued shares without Shareholders' approval, subject to an annual limit of 3% of the total number of issued shares at the relevant time.

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 these ordinary shares to the Share Scheme Trusts. The grantees' entitlement of the trusts are subject to vesting conditions that are substantially the same as those in the share option agreement before abovementioned modification. The share options are not considered vested and exercised until the grantees' entitlement of the trusts are vested. As at December 31, 2017, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834, after giving effect to the Capitalization Issue (Note 21) (2016: Nil). 1,134,000 ordinary shares held by Share Scheme Trusts are issued and outstanding (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

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

The total expenses recognized in the consolidated income statement for share-based awards granted to the Group's employees are RMB891,727,000 for the year ended December 31, 2017 (2016: nil).

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

The exercise price of the granted options to employees shall be US$0.01 per share (being US$0.0014 after taking into account the Capitalization Issue effective on November 16, 2017). The options have graded vesting terms determined in the grant letter, on the condition that employees remain in service without any performance requirements. The vesting dates should be determined by the Company and grantees for each option agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Number of share options
Outstanding as at January 1, 2017	–
Granted during the year	56,477,387
Capitalization Issue (Note 21)	338,864,322
Exercised during the year	(1,134,000)
Forfeited during the year	(1,778,000)
Outstanding as at December 31, 2017	392,429,709
Exercisable as at December 31, 2017	192,599,071

23 Share-based payments (continued)

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

(ii) Fair value of share options granted under Pre-IPO Share Option Scheme

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

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

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

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

(iii) Expected Retention Rate under Pre-IPO Share Option Scheme

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at December 31, 2017, the Expected Retention Rate for the Group's directors, senior management members, and other employees was assessed to be 100%, 100% and 95%, respectively (2016: not applicable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

(b) Bitauto ESOP

Bitauto, the controlling shareholder of the Group, granted share-based awards to a number of the Group's employees, under Bitauto's Employee Stock Incentive Plans ("Bitauto ESOP"), in exchange for their services to certain of the Group's subsidiaries.

On December 31, 2006, Bitauto implemented an Employee Stock Incentive Plan ("Bitauto 2006 Plan") under which Bitauto has reserved 1,028,512.5 ordinary shares for employees. The Board of Directors of Bitauto granted employees of the Group options to subscribe Bitauto's ordinary shares.

On February 8, 2010, Bitauto implemented an Employee Stock Incentive Plan ("Bitauto 2010 Plan") under which Bitauto has reserved 3,089,887.5 ordinary shares for employees. The 2010 Plan stipulates that if options granted are forfeited, the forfeited options can be added back to the option pool to be granted to other employees. The board of Bitauto granted employees of Bitauto options to subscribe Bitauto's ordinary shares.

On August 7, 2012, Bitauto implemented an Employee Stock Incentive Plan ("Bitauto 2012 Plan") under which Bitauto has reserved 1,908,180.0 ordinary shares to motivate, attract and retain employees, and directors. The 2012 Plan permits the awards of options and restricted shares units ("RSUs").

On November 17, 2016, Bitauto implemented an Employee Stock Incentive Plan ("Bitauto 2016 Plan") under which Bitauto has reserved 2,500,000.0 ordinary shares to attract and retain the best available personnel and provide additional incentives to employees, officers, directors and advisors of Bitauto. The Bitauto 2016 Plan permits the awards of options and RSUs.

The total expenses recognized in the consolidated income statement for share-based awards granted under Bitauto ESOP to the Group's employees are RMB21,306,000 for the year ended December 31, 2017 (2016: RMB5,813,000).

23 Share-based payments (continued)

(b) Bitauto ESOP (continued)

Bitauto share options granted to the Group's employees

Bitauto granted share options on December 31, 2006, February 8, 2010, December 28, 2010 and August 7, 2012, respectively. Options granted typically expire in ten years from the respective grant dates, except for options granted on December 31, 2006 of which expiration date was extended to December 31, 2026. The options have graded vesting terms, and vest in equal tranches from the grant date over three or four years, on condition that employees remain in service without any performance requirements.

Movements in the number of Bitauto share options granted to the Group's employees and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price (US$)
Outstanding as at January 1, 2017	**40,000**	**3.20**
Exercised during the year	**(40,000)**	**3.20**
Outstanding as at December 31, 2017	**–**	**–**
Exercisable as at December 31, 2017	**–**	**–**
Outstanding as at January 1, 2016	281,566	3.51
Exercised during the year	(241,566)	3.56
Outstanding as at December 31, 2016	40,000	3.20
Exercisable as at December 31, 2016	40,000	3.20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Share-based payments (continued)

(b) Bitauto ESOP (continued)

Fair value of Bitauto share options

The directors have used Binomial option-pricing model to determine the fair value of the share options as at the grant dates. Key assumptions are set as below:

	February 8, 2010	December 28, 2010	August 7, 2012
Fair value per share	US$ 3.02	US$ 10.16	US$ 4.20
Exercise price	US$ 3.20	US$ 10.20	US$ 4.03
Risk-free interest rate	3.62%	3.58%	1.72%
Dividend yield	0.00%	0.00%	0.00%
Weighted-average fair value per option granted	US$ 3.60	US$ 5.36	US$ 2.34
Expected volatility	60%	69%	53%
Expected terms	10 years	10 years	10 years

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

Bitauto RSUs granted to the Group's employees

Starting from 2013, Bitauto granted RSUs to the Group's employees under share incentive plans. The RSUs granted would vest (i) on the anniversary of the grant date, or in equal tranches from the grant date over three or four years, on condition that employees remain in service without any performance requirements; or (ii) on specific dates, or in equal tranches from the grant date over three or four years, if the grantees' key performance indicators were achieved on each vest date. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

23 Share-based payments (continued)

(b) Bitauto ESOP (continued)

Bitauto RSUs granted to the Group's employees (continued)

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

	Number of RSUs	Weighted average fair value per RSU (US$)
Outstanding as at January 1, 2017	**104,978**	**24.41**
Granted during the year	**506,687**	**21.44**
Vested and sold during the year	**(374,691)**	**21.98**
Forfeited during the year	**(33,050)**	**21.21**
Outstanding as at December 31, 2017	**203,924**	**22.01**
Vested as at December 31, 2017	**203,924**	**22.01**
Outstanding as at January 1, 2016	21,163	51.15
Granted during the year	109,444	21.62
Vested and sold during the year	(9,929)	59.52
Forfeited during the year	(15,700)	18.79
Outstanding as at December 31, 2016	104,978	24.41
Vested as at December 31, 2016	9,484	46.48

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

24 Trade payables

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade payables	**947,751**	508,385
	947,751	508,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Trade payables (continued)

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Up to 3 months	**692,245**	446,185
3 to 6 moths	**140,823**	23,625
6 months to 1 year	**59,738**	37,077
Over 1 year	**54,945**	1,498
	947,751	508,385

25 Other payables and accruals

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deposits payable	**291,960**	72,007
Advance from customers	**240,590**	59,869
Loans payable to Bitauto Group (Note 34)	**200,132**	628,853
Accrued expenses	**120,440**	25,012
Staff costs and welfare accruals	**101,791**	54,621
Interest payables	**88,721**	42,364
Other payables to related parties for goods and services (Note 34)	**81,818**	435,355
Deferred revenue	**81,629**	—
Others	**102,849**	56,990
	1,309,930	1,375,071

As at December 31, 2017, 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.

26 Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed three rounds of financing by issuing convertible redeemable preferred shares, namely, series A preferred shares issued in 2015, series B preferred shares issued in 2016, and series C preferred shares issued in 2017.

On January 9, 2015, the Company entered into a share subscription agreement with the series A Investors and pursuant to which, the Company issued 34,602,469 shares of series A preferred shares at a price of US$11.27 per share (equivalent to 346,024,690 shares of series A preferred shares at a price of US$1.13 per share after the effect of share subdivision (Note 21)) with total cash consideration of US$390,000,000 (equivalent to approximately RMB2,389,647,000). The issuance of series A preferred shares was completed on February 16, 2015.

On August 1, 2016, the Company entered into a share subscription agreement with the series B Investors and pursuant to which, the Company issued 165,558,860 shares of series B preferred shares at a price of US$3.32 per share with total cash consideration of US$550,000,000 (equivalent to approximately RMB3,653,728,000). The issuance of series B preferred shares was completed on October 21, 2016.

On May 11, 2017, the Company entered into a share subscription agreement with the series C Investors and pursuant to which, (i) the Company issued 70,934,920 series C preferred shares to Bitauto, and 4,299,090 series C preferred shares to Bitauto HK, in exchange for (1) Bitauto Group's Used Automobile Transaction Business, namely, the business carried out by Beijing Xinbao and KKC, (2) Bitauto Group's non-compete undertakings in relation to the used automobile-related business (3) free traffic support from Bitauto Group in relation to automobile financing services and used automobile-related business for a period of 3 years and automatically renewable for a further period of 2 years, with a minimum required numbers of qualified transaction leads to be provided each year, and (4) free access to Bitauto Group's automobile model database for a total of 20 years; (ii) the Company issued 33,317,900 shares of series C preferred shares at a price of US$4.65 per share with total cash consideration of US$155,000,000 (equivalent to approximately RMB1,064,819,000). The issuance of series C preferred shares was completed on May 26, 2017.

Upon completion of the IPO, all the convertible redeemable preferred shares were automatically converted and to ordinary shares. As a result, 620,135,460 ordinary shares were issued, and the balance of convertible redeemable preferred shares was transferred to share capital and share premium of the Company on that date. All preferred rights entitled to the holders of convertible redeemable preferred shares lapsed and such holders thereafter hold rights pari passu to all other ordinary shareholders.

26 Convertible redeemable preferred shares (continued)

The fair value of the convertible redeemable preferred shares immediately before conversion into ordinary shares upon completion of the IPO was assessed at the market price in the amount of HK$7.70 (approximately RMB6.54) per share.

The key terms of the Preferred Shares are summarized as follows:

(a) Dividends rights

The holders of Preferred Shares are entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares or any other class or series of shares of the Company at the rate and in the amount as the Board of Directors considers appropriate. No dividends or other distributions shall be declared, paid or distributed (whether in cash or otherwise) on any ordinary share or any other class or series of shares unless and until (i) all declared but unpaid dividends on the Preferred Shares have been paid in full and (ii) a dividend in the like amount and kind has first been declared on the Preferred Shares on an as-if-converted basis and has been paid in full to the preferred shareholders.

(b) Conversion feature

The Preferred Share shall be automatically converted into fully-paid, non-assessable Ordinary Shares, based on the then-effective applicable conversion price for such share: (i) immediately prior to the closing of a Qualified Initial Public Offering ("QIPO") or (ii) (A) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series A preferred shares (calculated on an as converted basis) with respect to the conversion of the series A preferred shares, (B) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series B preferred shares (calculated on an as converted basis) with respect to the conversion of the series B shares, or (C) on the date specified on a written request for such conversion from the holders of no less than seventy-five (75%) of outstanding series C preferred shares (calculated on an as converted basis) with respect to the conversion of the series C shares.

QIPO means a firm commitment underwritten public offering of Ordinary Shares of the Company or of the listing vehicle (or securities representing such Ordinary Shares) on a Recognized Exchange which meets the following requirements:(i) the offering price per share values the Company at US$5,000,000,000 or more on a fully diluted basis immediately following the completion of such

26 Convertible redeemable preferred shares (continued)

(b) Conversion feature (continued)

offering, and (ii) such offering results in gross proceeds of at least US$400,000,000. A QIPO shall also include an IPO that does not satisfy the foregoing valuation and gross proceeds, provided that the holders of at least 70% of the then issued and outstanding Preferred Shares voting as a single class on an as-converted basis, have expressly agreed in writing that such an offering shall be deemed a "Qualified IPO". Recognized Exchange means the Main Board of the Stock Exchange of Hong Kong, NASDAQ, New York Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange.

(c) Redemption feature

From and after the fifth anniversary of the series C preferred shares issue Date, and prior to the consummation of a Qualified IPO, each holder of the Preferred Shares shall have the right at any time to require and demand the Company to redeem all of its Preference Shares, and the Company shall redeem all of the preference shares held by such holder at a per share price equal to the redemption price as applicable, within thirty (30) days from the date of the redemption notice given to the Company, unless a longer period of time is required under the relevant redemption notice.

The redemption price shall be paid by the Company to the Preferred Shares holders in an amount equal to: (i) one hundred percent (100%) of the original issue price on each Preferred Shares, plus (ii) an eight percent (8%) per annum interest of the original issue price on each Preferred Shares accrued during the period from the issue date of each Preferred Shares until the date on which the redemption price of is paid in full, and (iii) any accrued but unpaid dividends thereon.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Preferred Shares holders shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of any other class or series of shares, the liquidation preference amount per share equal to the greater of: (i) 100% of the original issue price on each Preferred Shares, plus interest on the original issue price on each Preferred Shares at 8% per annum, compounded annually from the date of issuance to the date of completion of the Liquidation Event, plus any dividends declared and unpaid with respect to the Preferred Shares and (ii) the amount that each Preferred Share would receive on an as converted basis assuming that the assets and surplus funds are to be distributed to holders of the Preferred Shares and the holders of the Ordinary Shares on a pro rata basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Convertible redeemable preferred shares (continued)

(d) Liquidation preferences (continued)

The liquidation preference amount will be paid to the Preferred Shareholders in the following order: first to holders of Series C Preferred Shares, second to holders of Series B Preferred Shares, and third to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the Preferred Shareholders, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares and the Preferred Shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amount payable to the holders of a particular series of Preferred Shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding Preferred Shares of that series.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statements.

The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
At January 1, 2017	**8,071,817**
Issuance of series C preferred shares	**3,469,249**
Changes in fair value	**17,698,484**
Currency translation differences	**(860,801)**
Conversion into ordinary shares	**(28,378,749)**
At December 31, 2017	**–**
Total unrealized loss and change in fair value for the year included in "Fair value loss of convertible redeemable preferred shares"	**17,698,484**

26 Convertible redeemable preferred shares (continued)

The movement of the convertible redeemable preferred shares is set out as below: (continued)

	RMB'000
At January 1, 2016	2,588,232
Issuance of series B preferred shares	3,653,728
Changes in fair value	1,428,141
Currency translation differences	401,716
At December 31, 2016	8,071,817
Total unrealized loss and change in fair value for the year included in "Fair value loss of convertible redeemable preferred shares"	1,428,141

The directors have used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares as at the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	As at December 31, 2016
Discount rate	16.00%
Risk-free interest rate	2.00%
Volatility	32.74%

Discount rate was estimated by weighted average cost of capital as at each valuation date. The directors estimated the risk-free interest rate based on the yield curve of US Treasury strips as at the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Convertible redeemable preferred shares (continued)

Changes in fair value of Preferred Shares were recorded in "fair value loss of convertible redeemable preferred shares." Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

27 Borrowings

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Included in non-current liabilities:		
Pledge borrowings (a)	**50,000**	150,000
Borrowings guaranteed by Bitauto Group (b)	**471,200**	—
Asset-backed securitization debt (c)	**2,611,821**	1,630,663
Other secured borrowings (d)	**3,443,912**	1,432,971
Unsecured borrowings (e)	**1,109,160**	—
	7,686,093	3,213,634
Included in current liabilities:		
Pledge borrowings (a)	**100,000**	2,736,400
Borrowings guaranteed by Bitauto Group (b)	**400**	1,770,401
Asset-backed securitization debt (c)	**6,165,429**	2,799,958
Other secured borrowings (d)	**8,974,174**	799,034
Unsecured borrowings (e)	**2,169,039**	—
	17,409,042	8,105,793
Total borrowings	**25,095,135**	11,319,427

Notes:

(a) The pledge borrowings are collateralized by a pledge of term deposits with carrying values of RMB150,000,000 (2016: RMB3,001,107,000) and the Group's finance receivables amounting to RMB107,134,000 (2016: RMB368,740,000) as at December 31, 2017 (Note 20).

(b) As at December 31, 2017, borrowings amounting to RMB471,600,000 (2016: RMB1,770,401,000) have been guaranteed by certain of Bitauto's subsidiaries (Note 34).

27 Borrowings (continued)

Notes: (continued)

(c) The Group securitizes finance receivables arising from its consumers through transfer of those assets to asset-backed securitization vehicles. The securitization vehicles usually issue senior tranche debt securities to third party investors, collateralized by the transferred assets, and subordinate tranche debt securities to the Group. In limited circumstances, the Group may also subscribed a portion of the senior tranche debt securities. The asset-backed debt securities issued by the securitization vehicles to third party investors are recourse to the Group. The securitization vehicles are considered controlled structured entities of the Group, and the asset-backed debt securities subscribed by third party investors are reported as current and non-current borrowings in the consolidated balance sheets based on their respective expected repayment dates. As at December 31, 2017, the carrying amount of finance receivables that we collateralized in securitization transactions was RMB10,441,802,000 (2016: RMB5,120,807,000).

(d) As at December 31, 2017, borrowings amounting to RMB6,803,336,000 (2016: RMB1,837,127,000) and RMB395,000,000 (2016: RMB395,000,000) are secured by the cash proceeds of certain of the Group's finance receivables and the cash proceeds from the subordinate tranche asset-backed securities held by the Group, respectively. As at December 31, 2017, the finance receivables amounting to RMB6,585,727,000 (2016: RMB1,815,812,000) are used as pledge for such borrowings.

Borrowings amounting to RMB5,219,750,000 were extended to the Group to expand the self-operated financing business. All finance receivables generated by the Group utilizing the proceeds of the borrowings shall be pledged to secure the borrowings. As at December 31, 2017, the finance receivables amounting to RMB5,502,914,000 (2016: nil) are used as pledge for such borrowings.

(e) As at December 31, 2017, (1) borrowings amounting to RMB230,000,000 are guaranteed by the Group's two subsidiaries, namely Xinche Investment and Yixin HK, and Mr. Andy Xuan Zhang, the Group's executive director; (2) borrowings amounting to RMB2,648,199,000 are guaranteed by the Company and its certain subsidiaries; (3) borrowings amounting to RMB400,000,000 are unsecured loans.

The borrowings are repayable as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**17,409,042**	8,105,793
Between 1 and 2 years	**6,460,793**	2,787,424
Between 2 and 5 years	**1,225,300**	426,210
	25,095,135	11,319,427

As at December 31, 2017, the applicable interest rates per annum on long-term borrowings range from 4.75% to 11.21% (2016: 3.80% to 11.21%).

As at December 31, 2017, the applicable interest rates per annum on short-term borrowings range from 4.30% to 7.58% (2016: 3.92% to 7.30%).

As at December 31, 2017 and December 31, 2016, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Deferred income taxes

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
— To be recovered within 12 months	**48,293**	5,622
Deferred income tax liabilities:		
— To be recovered after 12 months	**(13,834)**	(13,609)
— To be recovered within 12 months	**(2,195)**	(2,030)
	(16,029)	(15,639)
Deferred income tax assets/(liabilities) (net)	**32,264**	(10,017)

The gross movements on the deferred income tax account are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**(10,017)**	—
Business combination (Note 33)	**(4,297)**	(15,977)
2017 Reorganization	**(1,806)**	—
Disposal of a subsidiary	**3,474**	—
Credited to consolidated income statement	**44,910**	5,960
At the end of the year	**32,264**	(10,017)

28 Deferred income tax (continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities	Fair value gain on financial assets RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
At January 1, 2017	**—**	**(15,639)**	**(15,639)**
Business combination (Note 33)	**—**	**(4,297)**	**(4,297)**
Disposal of a subsidiary	**—**	**3,474**	**3,474**
(Charged)/Credited to consolidated income statement	**(1,707)**	**2,140**	**433**
At December 31, 2017	**(1,707)**	**(14,322)**	**(16,029)**
At January 1, 2016	—	—	—
Business combination (Note 33)	—	(15,977)	(15,977)
Credited to consolidated income statement	—	338	338
At December 31, 2016	—	(15,639)	(15,639)

Deferred income tax assets	Provision for credit losses of finance receivables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At January 1, 2017	**5,622**	**—**	**—**	**5,622**
2017 Reorganization	**—**	**(1,806)**	**—**	**(1,806)**
Credited to consolidated income statement	**35,498**	**6,606**	**2,373**	**44,477**
At December 31, 2017	**41,120**	**4,800**	**2,373**	**48,293**
At January 1, 2016	—	—	—	—
Credited to consolidated income statement	5,622	—	—	5,622
At December 31, 2016	5,622	—	—	5,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Deferred income tax (continued)

Deferred income tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefits through future taxable profits is probable.

At December 31, 2017, the Group did not recognize deferred income tax assets of RMB18,966,000 (2016: RMB18,997,000) in respect of deductible temporary differences amounting to RMB75,865,000 (2016: RMB75,988,000 that can be carried forward against future taxable income.

29 Other non-current liabilities

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Long-term deposits payable	**28,955**	37,062
Deferred revenue	**58,370**	—
Other liabilities related to financing leases	**50,689**	63,027
	138,014	100,089

30 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2017 and 2016.

31 Cash flow information

(a) Cash used in operations

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Loss before income tax	**(18,270,224)**	(1,345,995)
Adjustments for:		
— Provision for impairment of trade receivables (Note 18)	**39,777**	34,951
— Provision for credit losses of finance receivables (Note 17)	**196,320**	29,052
— Provision for impairment of other receivables (Note 19)	**22,101**	2,606
— Depreciation of vehicles for operating leases (Note 12)	**136,448**	7,765
— Depreciation of other property and equipment (Note 12)	**11,209**	4,671
— Amortization of intangible assets (Note 13)	**138,086**	34,516
— Loss on disposals of property and equipment (Note 6)	**222**	44
— Gain on disposals of a subsidiary (Note 34)	**(45)**	—
— Share-based compensations (Note 23)	**913,033**	5,813
— Fair value loss of convertible redeemable preferred shares (Note 26)	**17,698,484**	1,428,141
— Fair value (gain)/loss of financial assets at fair value through profit or loss (Note 6)	**(6,829)**	17,126
— Interest income (Note 9)	**(50,081)**	(15,755)
— Interest expenses (Note 9)	**3,035**	8,031
— Funding costs (Note 7)	**1,137,807**	187,233
— Foreign exchange losses/(gains), net (Note 6)	**7,110**	(9,082)
— Issuance costs of convertible redeemable preferred shares (Note 9)	**14,318**	21,219
— Increase in vehicles for operating leases	**(1,207,417)**	(84,339)
— Increase in trade receivables	**(560,644)**	(81,262)
— Increase in finance receivables	**(15,745,276)**	(11,531,438)
— Increase in prepayments, deposits and other assets	**(850,401)**	(914,918)
— Increase in trade payables	**553,151**	410,813
— Increase in other payables and accruals	**359,086**	469,060
— (Decrease)/Increase in other non-current liabilities	**(20,446)**	70,351
Cash used in operations	**(15,481,176)**	(11,251,397)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Cash flow information (continued)

(b) Major non-cash transactions

Other than the Reorganizations described in Note 1 and the conversion of convertible redeemable preferred shares described in Note 26, there were no material non-cash transactions for the year ended December 31, 2017 (2016: nil).

(c) Total borrowings reconciliation

The section sets out an analysis of total borrowings and the movements in total borrowings for the year ended December 31, 2017:

	Total Borrowings RMB'000
Total borrowings as at January 1, 2017	**(11,319,427)**
Cash flows	**(13,923,156)**
Non-cash movements	**147,448**
Total borrowings as at December 31, 2017	**(25,095,135)**

The non-cash movements are primarily related to the amortization of loan origination fees over the term of borrowings.

32 Commitments

(a) Capital commitments

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Purchase of automobiles	**503,903**	499,822
	503,903	499,822

32 Commitments (continued)

(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 at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**33,144**	18,040
Later than 1 year and no later than 5 years	**48,689**	39,274
Later than 5 years	**1,823**	—
	83,656	57,314

33 Business combination

(a) Acquisition of KKC

In April 2015 and September 2016, Bitauto Group acquired in aggregate 4.8% of ordinary shares issued and approximately 54.8%, on a fully diluted basis, of the equity interests of KKC, an unlisted entity located in the PRC and engaged in the used car business. Although holding the majority of equity interests, Bitauto Group did not obtain control over KKC due to lack of the majority of voting power at the Board of Directors of KKC.

In November 2016, Bitauto Group acquired more equity interests of KKC, increasing its equity interests to 49.7% of ordinary shares issued and approximately 74.8%, on a fully diluted basis of KKC, and at that time obtained control over KKC.

As a result of the 2017 Reorganization, KKC was merged into the Transaction Platform Business and the transaction was accounted for as a business combination under common control (Note 1). Accordingly, the operating results of KKC have been consolidated into the Group following Bitauto Group's acquisition of KKC in November 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Business combination (continued)

(a) Acquisition of KKC (continued)

The following table summarizes the consideration paid for KKC, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Total consideration paid by Bitauto	**157,478**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	39,406
Property and equipment (Note 12)	1,211
Intangible assets (Note 13)	
— Domain names	17,200
— Customer relationships	30,700
— Computer software and technology	16,022
Other assets	41,778
Current liabilities	(73,021)
Deferred income tax liabilities (Note 28)	(15,977)
Total identifiable net assets	**57,319**
Non-controlling interests	(15,689)
Goodwill (Note 13)	115,848
	157,478

The acquisition-related costs are minimal for the year ended December 31, 2016.

The fair value of the non-controlling interest in KKC was estimated by using the enterprise value of KKC, as adjusted for the lack of control and lack of marketability that market participants would consider.

The revenue included in the consolidated income statement for the year ended December 31, 2016, since the date of acquisition contributed by KKC was RMB12,821,000. KKC also contributed losses of RMB5,907,000 over the same period. Had KKC been consolidated from January 1, 2016, the consolidated income statement for the year ended December 31, 2016 would show pro-forma revenue of RMB1,518,559,000 and a loss of RMB1,449,887,000.

In May 2017, Bitauto Group acquired the remaining equity interests of KKC from the minority shareholders for a total cash consideration of RMB13,170,000. It is considered as an equity transaction and the difference between the consideration paid and the carrying amount of the non-controlling interest is recorded in equity.

33 Business combination (continued)

(b) Acquisition of Shanghai Lanshu

In April 2017, the Group acquired 100% of the equity interests in Shanghai Lanshu, an unlisted entity located in the PRC and engaged in software research and development business, and at that time obtained control over Shanghai Lanshu.

The following table summarizes the consideration paid for Shanghai Lanshu, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Total consideration paid by the Group	**2,750**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	645
Intangible assets	
— Software	3,290
Other assets	1,675
Current liabilities	(2,905)
Deferred tax liabilities	(823)
Total identifiable net assets	**1,882**
Goodwill (Note 13)	868
	2,750

The acquisition-related costs are minimal for the year ended December 31, 2017.

The revenue included in the consolidated income statement for the year ended December 31, 2017 since the date of acquisition contributed by Shanghai Lanshu was RMB13,380,000. Shanghai Lanshu also contributed losses of RMB59,923,000 over the same period. Had Shanghai Lanshu been consolidated from January 1, 2017, the consolidated income statement for the year ended December 31, 2017 would show pro-forma revenue of RMB3,905,559,000 and loss of RMB18,344,009,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Business combination (continued)

(c) Acquisition of Anxinbao Insurance

In April 2017, the Group acquired 100% of the equity interests in Anxinbao Insurance, an unlisted entity located in the PRC and engaged in insurance brokerage business and consulting services, and at that time obtained control over Anxinbao Insurance.

The following table summarizes the consideration paid for Anxinbao Insurance, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Total consideration paid by the Group	**23,730**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,729
Intangible assets	
— Trademark and Licenses	13,896
Other assets	1,251
Current liabilities	(998)
Deferred tax liabilities	(3,474)
Total identifiable net assets	**19,404**
Goodwill (Note 13)	4,326
	23,730

The acquisition-related costs are minimal for the year ended December 31, 2017.

The revenue included in the consolidated income statement for the year ended December 31, 2017, since the date of acquisition contributed by Anxinbao Insurance was minimal. Anxinbao Insurance also contributed a minimal loss over the same period.

On June 26, 2017, the Group disposed 75% of the equity interests of Anxinbao Insurance to an independent third party. The retained interest in Anxinbao Insurance is accounted for as an investment in an associate in the form of ordinary shares (Note 14). All assets and liabilities of Anxinbao Insurance are de-recognized at their carrying amounts and a disposal gain of RMB45,000 was recognized in other gains in the consolidated income statement for the year ended December 31, 2017 accordingly.

34 Related party transactions

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest 2017	2016
Bitauto Holdings Limited, together with its subsidiary, Bitauto Hong Kong Limited	Ultimate parent entity and controlling party	Cayman Islands and Hong Kong, respectively	**45.2%**	100%

(b) Names and relationships with related parties

Company	Relationship
Bitauto Holdings Limited and its subsidiaries ("Bitauto Group")	Controlling shareholder and its subsidiaries
Beijing Changxing Information Technology Co., Ltd. 北京暢行信息技術有限公司	Significantly influenced by the controlling shareholder
Beijing Jingzhengu Information Technology Co., Ltd.	Significantly influenced by the controlling shareholder
Shanghai Eclicks Network Co., Ltd. 上海易點時空網絡有限公司	Significantly influenced by the controlling shareholder
Shanghai Chetuan Network Information Technology Co., Ltd. (上海車團網絡信息技術有限公司, "Chetuan")	Significantly influenced by the controlling shareholder
Beijing Anxinbao Insurance Brokerage Co., Ltd.	Associate
Wuhan Kuanter Investment Co., Ltd. (武漢寬途致遠投資有限公司, "Wuhan Kuantu")	Significantly influenced by the controlling shareholder
Beijing KKC Technology Co., Ltd.	Significantly influenced by the controlling shareholder (prior to the acquisition of KKC in November 2016 (Note 33))
Beijing Zhengdong Jinkong Information Service Co., Ltd. ("Zhengdong")	an entity under common control with another entity which can exercise significant influence on the Group
Suqian Yunhan Information Technology Co., Ltd.	an entity under common control with another entity which can exercise significant influence on the Group
Baidu Online Network Technology (Beijing) Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Chongqing Jingdong Haijia E-commerce Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Beijing Jingdong Century Trading Co., Ltd. ("Jingdong Century")	Subsidiary of a shareholder that has significant influence on the Group
Xian Chunhe Asset Management Co., Ltd. ("Xian Chunhe")	Subsidiary of a shareholder that has significant influence on the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Related party transactions (continued)

(c) Significant transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties (all amounts are presented net of value-added taxes):

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(i) Provision of transaction services in accordance with advertising and data services agreements		
Bitauto Group	**132,391**	3,482
	132,391	3,482
(ii) Provision of other transaction services to related parties		
Bitauto Group	**25,370**	88,144
Chetuan	**1,556**	—
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**13,380**	—
Beijing KKC Technology Co., Ltd.	**—**	2,042
	40,306	90,186
(iii) Provision of financial services in accordance with automobile leasing agreement		
Bitauto Group	**8,199**	—
	8,199	—
(iv) Provision of other financial services to a related party		
Chetuan	**7,714**	37,996
	7,714	37,996

34 Related party transactions (continued)

(c) Significant transactions with related parties (continued)

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(v) Purchase of advertising services in accordance with advertising services agreements		
Bitauto Group	**20,747**	20,000
	20,747	20,000
(vi) Purchases of other advertising services from related parties		
Bitauto Group	**4,544**	3,286
Chongqing Jingdong Haijia E-commerce Co., Ltd.	**4,004**	—
Beijing Changxing Information Technology Co., Ltd.	**892**	1,085
	9,440	4,371
(vii) Purchases of used car valuation services in accordance with used auto services agreements		
Beijing Jingzhengu Information Technology Co., Ltd.	**14,400**	3,366
	14,400	3,366
(viii) Purchases of data services and traffic leads in accordance with data services framework agreement		
Zhengdong	**544**	—
Suqian Yunhan Information Technology Co., Ltd.	**812**	—
	1,356	—
(ix) Purchase of promotional materials from a related party		
Beijing Jingdong Century Information Technology Co., Ltd.	**22,432**	—
	22,432	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Related party transactions (continued)

(c) Significant transactions with related parties (continued)

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(x) Purchases of traffic support services from related parties		
Bitauto Group (a)	**–**	33,543
Shanghai Eclicks Network Co., Ltd.	**13,208**	15,094
	13,208	48,637
(xi) Purchases of used automobile transaction services from a related party		
Beijing KKC Technology Co., Ltd.	**–**	15,001
	–	15,001
(xii) Purchases of vehicles from a related party		
Chetuan	**29,546**	86,632
	29,546	86,632
(xiii) Purchase of structured financing services from a related party		
Baidu Online Network Technology (Beijing) Co., Ltd.	**24,744**	–
	24,744	–

(xiv) From time to time, Bitauto Group may provide guarantees for the Group's borrowings. As at December 31, 2017, borrowings amounting to RMB471,600,000 (2016: RMB1,770,401,000) are collateralized by a pledge of Bitauto Group's term deposits with carrying values of RMB522,560,000 (2016: RMB1,884,250,000).

34 Related party transactions (continued)

(c) Significant transactions with related parties (continued)

Note:

(a) In addition to the amounts disclosed above, as part of the 2015 Traffic Support Services (Note 1), the Group obtained traffic support services from Bitauto Group free of charge for a term of 3 years commencing from February 16, 2015, in which all online enquiries regarding automobile finance lease and automobile financing services and products arising from Bitauto Group's websites would be directed to the Group.

Also, as part of the 2017 Traffic Support Services (Note 1), the Group obtained used automobile traffic support services from Bitauto Group free of charge for a term of 3 years and automatically renewable for a further period of 2 years commencing from May 26, 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

(d) Year end balances with related parties

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
(i) Trade receivables due from related parties		
Bitauto Group	**51,889**	56,752
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**9,593**	—
Chetuan	**1,649**	—
	63,131	56,752
(ii) Finance receivables due from related parties (a)		
Bitauto Group	**—**	34,904
Chetuan	**121,034**	293,483
	121,034	328,387
(iii) Other receivables due from related parties		
Bitauto Group	**26,423**	285,301
Wuhan Kuantu (b)	**5,281**	—
Key management personnel	**604**	4,405
Beijing Jingzhengu Information Technology Co., Ltd.	**—**	43,100
	32,308	332,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Related party transactions (continued)

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
(iv) Trade and other payables due to related parties for goods and services		
Bitauto Group	**75,318**	474,016
Baidu Online Network Technology (Beijing) Co., Ltd.	**6,485**	—
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**6,500**	—
Beijing Jingzhengu Information Technology Co., Ltd.	**3,170**	—
Shanghai Eclicks Network Co., Ltd.	**2,000**	—
	93,473	474,016
(v) Prepayments made to related parties		
Bitauto Group	**32**	—
Chetuan	**115,564**	—
Beijing Jingdong Century Information Technology Co., Ltd.	**9,450**	3,831
Beijing Changxing Information Technology Co., Ltd.	**2,904**	28,850
	127,950	32,681

Notes:

(a) For the years ended December 31, 2016 and 2017, the Group provided financing services to Chetuan in the form of financing leases. The finance receivables are secured with automobiles, with an original maturity of 1 year, and the applicable interest rate per annum ranges from 6% to 8% for the period presented above.

(b) 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 RMB15,000,000 was recorded against the loan balance, based on the amount the Group expected to recover from Wuhan Kuantu.

Except for the related parties transactions disclosed under Note 34(d) (iii) and Note 34(f) and (g), balances with other related parties were all unsecured, interest-free, and repayable on demand.

34 Related party transactions (continued)

(e) Key management personnel compensations

Key management includes executive directors and other members of the Company's senior management team. The compensations paid or payable to key management for employee services are shown in Note 8(a).

(f) Loans from Bitauto Group

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**628,853**	832,349
Loans advanced	**1,294,053**	730,362
Loans repayment made	**(1,702,629)**	(969,080)
Interest charged	**16,397**	22,680
Interest paid	**(31,063)**	(10,748)
Currency translation differences	**(5,479)**	23,290
At December 31	**200,132**	628,853
Including: principals of loans	**200,000**	614,055
Accrued interests	**132**	14,798

Bitauto Group provided financial assistance to the Group in the form of loans through certain subsidiaries of Bitauto. All loans are unsecured and payable on demand, with the applicable interest rate per annum ranging from 1.50% to 4.36% and 1.00% to 4.75% for years ended December 31, 2017 and 2016, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Related party transactions (continued)

(g) Loans from Zhengdong and Jingdong Century

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**–**	–
Loans received during year	**2,036,020**	–
Repayment made	**(2,036,020)**	–
Interest charged	**22,244**	–
Interest paid	**(22,244)**	–
At December 31	**–**	–

On March 3, 2017, Zhengdong, a subsidiary of a shareholder that has significant influence over the Group, subscribed to a total of RMB835,000,000 in the Group's asset-backed securitization transactions with the applicable interest rate per annum of 6.20% and 8.94% in the two separate tranches of asset-backed debt securities, respectively. The Group also agreed to repurchase the securities in three months at a price comprised of the cost of the investment and any accrued interests. The transaction is accounted for as a collateral loan from Zhengdong. On June 2, 2017, the loan was repaid in full by the Group.

On July 12, 2017, Zhengdong subscribed to a total of RMB201,020,000 of asset-back debt securities mentioned above. On November 14, 2017, the principal of the loan was repaid in full by the Group. On December 27, 2017, the Group settled all interests charged.

On November 7, 2017, the Group extended a short-term loan amounting to RMB1,000,000,000 from Jingdong Century at an interest rate of 6.525% per annum. On December 4, 2017, the loan was repaid in full by the Group.

34 Related party transactions (continued)

(h) Loans from Xian Chunhe

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**–**	–
Loans received during year	**1,300,000**	–
Loans Repayment made	**(1,100,000)**	–
Interest charged	**7,552**	–
Interest paid	**(6,750)**	–
At December 31	**200,802**	–

In 2017, the Group extended short-term loans from Xian Chunhe at an interest rate of 4.30% per annum. As of December 31, 2017, the loan amounting to RMB200,000,000 was unsecured with a three-month term. The loan was repaid in full on February 28, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Benefits and interests of directors

The remuneration of every director for the year ended December 31, 2017 is set out as below:

Name	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Directors				
Xuan Zhang	424	20	736,370	736,814
Dong Jiang (appointed in September 2017)	1,480	73	61,988	63,541
Non-executive Directors				
Juhong Chen (resigned in June 2017)	–	–	–	–
Bin Li (resigned in June 2017)	–	–	–	–
Sidney Xuande Huang (resigned in June 2017)	–	–	–	–
Leiwen Yao (resigned in June 2017)	–	–	–	–
Shenqiang Chen (resigned in June 2017)	–	–	–	–
Wei Cai (resigned in June 2017)	–	–	–	–
James Gordon Mitchell (appointed in June 2017)	–	–	–	–
Jimmy Chi Ming Lai (appointed in June 2017)	–	–	–	–
Chenkai Ling (appointed in June 2017)	–	–	–	–
Xuyang Zhang(appointed in June 2017)	–	–	–	–
Tin Fan Yuen (appointed in November 2017)	43	–	–	43
Chester Tun Ho Kwok (appointed in November 2017)	42	–	–	42
Lily Li Dong (appointed in November 2017)	43	–	–	43
	2,032	93	798,358	800,483

35 Benefits and interests of directors (continued)

The remuneration of every director for the year ended December 31, 2016 is set out as below:

Name	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Executive Director				
Xuan Zhang	1,641	38	93	1,772
Non-executive Directors				
Juhong Chen	—	—	—	—
Bin Li	—	—	—	—
Sidney Xuande Huang	—	—	—	—
Leiwen Yao	—	—	—	—
Shengqiang Chen	—	—	—	—
Wei Cai	—	—	—	—
	1,641	**38**	**93**	**1,772**

During the year, there are no retirement or termination benefits have been paid to the Company's directors (2016: nil).

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: nil).

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

36 Contingencies

The Group did not have any material contingent liabilities or guarantees as at December 31, 2017 (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Subsequent events

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Company or by the Group after December 31, 2017.

38 Balance sheet and reserves movement of the Company

(a) Balance sheet of the Company

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**3,718,134**	572,092
Prepayments, deposits and other assets	**9,706,928**	6,589,984
	13,425,062	7,162,076
Current assets		
Cash and cash equivalents	**2,805,679**	11,835
	2,805,679	11,835
Total assets	**16,230,741**	7,173,911
EQUITY AND LIABILITIES		
Equity		
Share capital	**4,080**	83
Share premium	**34,409,418**	505,524
Other reserves	**1,055,468**	(5,156)
Accumulated losses	**(19,248,766)**	(1,519,945)
Total equity	**16,220,200**	(1,019,494)

38 Balance sheet and reserves movement of the Company (continued)

(a) Balance sheet of the Company (continued)

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Convertible redeemable preferred shares	**—**	8,071,817
	—	8,071,817
Current liabilities		
Other payables and accruals	**10,541**	121,588
	10,541	121,588
Total liabilities	**10,541**	8,193,405
Total equity and liabilities	**16,230,741**	7,173,911

(b) Reserves movement of the Company

	Accumulated loss	Other reserves
	RMB'000	RMB'000
At January 1 , 2017	**(1,519,945)**	**(5,156)**
Loss for the year	**(17,728,821)**	**—**
Share-based compensation	**—**	**891,727**
Release of ordinary shares from Share Scheme Trusts	**—**	**(4,054)**
Currency translation differences	**—**	**172,951**
At December 31, 2017	**(19,248,766)**	**1,055,468**
At January 1 , 2016	(65,333)	27,444
Loss for the year	(1,454,612)	—
Currency translation differences	—	(32,600)
At December 31, 2016	(1,519,945)	(5,156)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Subsidiaries

The following is a list of the principal subsidiaries at December 31, 2017:

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31, 2017	2016
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong, November 27, 2014, limited liability company	Investment holding, Hong Kong	HK$10	**100%**	100%
KKC Holdings Limited	The Cayman Islands, April 22, 2014, limited liability company	Investment holding, the Cayman Islands	US$7,700	**100%**	74.83%
Shanghai Yixin Financing Lease Co., Ltd.	The PRC, August 12, 2014, limited liability company	Leasing services, the PRC	US$1,500,000,000	**100%**	100%
Shanghai Techuang Advertisements Co., Ltd.	The PRC, January 29, 2015, limited liability company	Advertising services, the PRC	US$20,000,000	**100%**	100%
Xinche Investment (Shanghai) Co., Ltd. (formerly known as Shanghai Rongche Information Technology Limited)	The PRC, January 16, 2015, limited liability company	Investment holding, the PRC	US$2,000,000,000	**100%**	100%
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	The PRC, May 18, 2015, limited liability company	Leasing services, the PRC	US$500,000,000	**100%**	100%

39 Subsidiaries (continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective interest held as at December 31, 2017	2016
Beijing KKC Technology Company Limited	The PRC, July 10, 2014, limited liability company	Transaction services, the PRC	US$11,400,000	**100%**	74.83%
Shanghai Lanshu Information Technology Co., Ltd.	The PRC, January 29, 2015 , limited liability company	Technology development, the PRC	RMB50,000,000	**100%**	—
Shenyang Yixin Financial Service Co., Ltd.	The PRC, December 13, 2016, limited liability company	Financial services, the PRC	RMB10,000,000	**100%**	100%
Beijing Yixin Auto Leasing Co., Ltd.	The PRC, December 15, 2016, limited liability company	Auto leasing, the PRC	RMB9,000,000	**100%**	100%
Guangzhou Rongche Leasing Co., Ltd.	The PRC, March 8, 2017, limited liability company	Leasing services, the PRC	RMB200,000,000	**100%**	—
Tianjin Huibao Advertising Co., Ltd	The PRC, August 10, 2017, limited liability company	Advertising services, the PRC	US$2,000,000	**100%**	—
Xinjiang Yin'an Information Technology Co., Ltd	The PRC, September 6, 2017, limited liability company	Advertising services, the PRC	US$10,000,000	**100%**	—
Beijing Yixin Information Technology Co., Ltd.	The PRC, January 9, 2015, limited liability company	Advertising and subscription services, the PRC	RMB50,000,000	**100%**	100%

FOUR-YEAR FINANCIAL SUMMARY

Condensed consolidated income statements

	Year ended December 31,			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	47,990	271,275	1,487,897	**3,905,509**
Gross profit	41,014	231,277	735,009	**2,189,913**
Profit/(Loss) for the year	65	(28,206)	(1,404,338)	**(18,336,554)**
Adjusted net profit (unaudited)	3,780	65,603	99,665	**464,121**

Condensed consolidated balance sheets

	As at December 31,			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets				
Non-current assets	5,449	784,452	9,491,664	**21,861,254**
Current assets	240,353	3,081,502	10,559,715	**21,005,233**
Total assets	245,802	3,865,954	20,051,379	**42,866,487**
Equity and liabilities				
Equity attributable to owners of the Company	149,550	130,359	(1,397,159)	**15,342,023**
Non-controlling interests	—	—	12,684	**—**
Total equity	149,550	130,359	(1,384,475)	**15,342,023**
Non-current liabilities	—	2,617,971	11,401,179	**7,840,136**
Current liabilities	96,252	1,117,624	10,034,675	**19,684,328**
Total liabilities	96,252	3,735,595	21,435,854	**27,524,464**
Total equity and liabilities	245,802	3,865,954	20,051,379	**42,866,487**

DEFINITIONS

"ABSs"	asset-backed securities, which refer to financial securities or notes backed by assets such as receivables, that are issued through public or private offerings
"Annual General Meeting"	the annual general meeting of the Company to be held on Friday, June 1, 2018
"Articles of Association"	the amended articles of association of the Company adopted and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Baidu"	Baidu, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: BIDU)
"Beijing Bitauto Interactive"	Beijing Bitauto Interactive Advertising Co., Ltd.* (北京易車互動廣告有限公司), a company established under the laws of the PRC, a wholly-owned subsidiary of Bitauto
"Beijing KKC"	Beijing KKC Technology Co., Ltd.* (北京看看車科技有限公司), a company established under the laws of the PRC on July 10, 2014 and our wholly-owned subsidiary
"Beijing Yixin"	Beijing Yixin Information Technology Co., Ltd.* (北京易鑫信息科技有限公司), a company established under the laws of the PRC on January 9, 2015 and our Consolidated Affiliated Entity
"Bitauto"	Bitauto Holdings Limited, a company incorporated in the Cayman Islands under the laws of the Cayman Islands on October 21, 2005 and currently listed on the NYSE (NYSE: BITA), and a Controlling Shareholder
"Bitauto Group"	Bitauto and/or subsidiaries and its consolidated affiliated entities from time to time, excluding the Group unless the context so requires
"Bitauto HK"	Bitauto Hong Kong Limited (易車香港有限公司), a company incorporated under the laws of Hong Kong on April 27, 2010, and one of our Controlling Shareholders

DEFINITIONS

"Board"	the board of Directors
"C&I Advertising"	Beijing C&I Advertising Co., Ltd.* (北京新意互動廣告有限公司), a company established under the laws of the PRC on December 30, 2002, a subsidiary of Bitauto and our connected person
"Capitalization Issue"	the issue of 4,626,550,692 Shares on the Listing Date to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed "History and Corporate Structure — The Capitalization Issue" of the Prospectus
"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this annual report, references in this annual report to the PRC or China do not include Taiwan, Hong Kong or Macau
"Company", "our Company", "the Company"	Yixin Group Limited 易鑫集团有限公司 (formerly known as Yixin Capital Limited), an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014 and carries on business in Hong Kong as Yixin Automotive Technology Group Limited and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2858)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, namely Beijing Yixin
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others Beijing KKC, our Consolidated Affiliated Entity and its shareholders, details of which are described in the section headed "Report of the Directors - Connected Transactions - Contractual Arrangements"

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, refers to Bitauto and Bitauto HK and each of them shall be referred to as a controlling Shareholder
"Director(s)"	the director(s) of our Company
"Dongting Lake Investment Limited"	a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our substantial Shareholder
"ESG"	Environmental, Social and Governance
"First Share Award Scheme"	the share award scheme conditionally approved and adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes —First Share Award Scheme"
"FITE Regulations"	the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, which stipulates that the ultimate foreign equity ownership in a value-added telecommunications services provider shall not exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce business) which may be 100% owned by foreign investors
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the Consolidated Affiliated Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements) from time to time
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"Hong Kong Offer Shares"	the 87,868,000 Shares initially being offered for subscription in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"ICP License"	Value-added Telecommunications Service Operating Permit for Internet information services
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"JD.com"	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: JD), our substantial shareholder
"Listing"	the listing of the Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing Date"	November 16, 2017, being the date the Shares were listed on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nomination Committee"	nomination committee of the Company
"NYSE"	New York Stock Exchange
"PRC Legal Advisor"	Han Kun Law Offices, PRC Legal Advisor to the Company

DEFINITIONS

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Pre-IPO Share Option Scheme"
"Prospectus"	the prospectus of the Company dated November 6, 2017
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2017
"RMB"	Renminbi, the lawful currency of PRC
"Second Share Award Scheme"	the share award scheme conditionally approved and adopted by our Company on September 1, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Second Share Award Scheme"
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Lanshu"	Shanghai Lanshu Information Technology Co., Ltd.* (上海藍書信息科技有限公司), a company established under the laws of the PRC on January 29, 2015 and our indirectly wholly-owned subsidiary
"Shanghai Yixin"	Shanghai Yixin Financing Lease Co., Ltd.* (上海易鑫融資租賃有限公司), a company established under the laws of the PRC on August 12, 2014 and our indirect wholly-owned subsidiary
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001 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

DEFINITIONS

"Tianjin Hengtong"	Tianjin Hengton Jiahe Financing Lease Co., Ltd.* (天津恒通嘉合融資租賃有限公司), a company established under the laws of the PRC on May 18, 2015, and our indirect wholly-owned subsidiary
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 700), our substantial Shareholder
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Voting Proxy Agreement"	the voting proxy agreement entered into between Bitauto, Tencent and JD.com on October 31, 2017 relating to certain voting rights in our Company
"Xinche Investment"	Xinche Investment (Shanghai) Co., Ltd.* (鑫車投資(上海)有限公司), a company established under the laws of the PRC on January 16, 2015 and our indirect wholly-owned subsidiary
"Yixin HK"	Yixin Holding Hong Kong Limited (易鑫集團香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and our wholly-owned subsidiary
"%"	per cent

**for identification purposes only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

易鑫集團

YIXIN GROUP

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