易鑫集团
YIXIN GROUP

易鑫集团有限公司
Yixin Group Limited

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

Stock Code: 2858

ANNUAL REPORT 2020

易鑫集团
YIXIN GROUP

www.yixincars.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Jimmy Chi Ming Lai
Mr. Chenkai Ling
Mr. Huan Zhou

Independent Non-executive Directors

Mr. Tin Fan Yuen
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

AUDIT COMMITTEE

Mr. Chester Tun Ho Kwok *(Chairman)*
Mr. Tin Fan Yuen
Ms. Lily Li Dong

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Man Wah Cheng

AUTHORISED REPRESENTATIVES

Mr. Andy Xuan Zhang
Mr. Man Wah Cheng

AUDITOR

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Certified Public Accountants and
Registered Public Interest Entity Auditor
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Wanchai, Hong Kong

PRINCIPAL BANKER

Bank of China
Bank of Communications
China Construction Bank
Shenzhen Qianhai WeBank Co., Ltd.

COMPANY WEBSITE

www.yixincars.com

STOCK CODE

2858

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

Andy Xuan Zhang
Chairman
Hong Kong
March 24, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2020 COMPARED TO YEAR ENDED DECEMBER 31, 2019

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

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

REVENUES

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

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

Note:

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

Transaction platform business

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

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

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

Self-operated financing business

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

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

Note:

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

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

COST OF REVENUES

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

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

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

Note:

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

GROSS PROFIT AND MARGINS

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

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

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

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

Note:

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

SELLING AND MARKETING EXPENSES

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

ADMINISTRATIVE EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES

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

CREDIT IMPAIRMENT LOSSES

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

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

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

OTHER INCOME AND OTHER GAINS, NET

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

OPERATING (LOSS)/PROFIT

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

FINANCE INCOME, NET

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

SHARE OF LOSSES OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

INCOME TAX CREDIT/(EXPENSE)

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

(LOSS)/PROFIT FOR THE YEAR

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

FINAL DIVIDEND

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

NON-IFRSS MEASURES

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

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

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

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

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Operating (loss)/profit	**(1,481,111)**	49,770
Add:		
Fair value gain on financial assets	**(444)**	–
Amortization of intangible assets resulting from asset and business acquisitions	**262,424**	175,555
Share-based compensation expenses	**105,043**	233,124
Adjusted Operating (Loss)/Profit	**(1,114,088)**	458,449

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Net (loss)/profit	**(1,155,749)**	30,936
Add:		
Fair value gain on financial assets	**(444)**	–
Amortization of intangible assets resulting from asset and business acquisitions net of tax	**262,229**	175,392
Share-based compensation expenses	**93,863**	233,124
Adjusted Net (Loss)/Profit	**(800,101)**	439,452

ADJUSTED OPERATING (LOSS)/PROFIT AND MARGINS

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

ADJUSTED NET (LOSS)/PROFIT AND MARGIN

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

SELECTED FINANCIAL INFORMATION FROM OUR CONSOLIDATED BALANCE SHEET

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

FINANCE RECEIVABLES

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

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

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

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

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

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

Notes:

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

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

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

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

CASH AND CASH EQUIVALENTS

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

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

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

BORROWINGS AND SOURCE OF FUNDS

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

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

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

Details of the currencies, maturities and interest rates of the borrowings are set out in Note 27 to the consolidated financial statements.

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

NET CURRENT ASSETS

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

KEY FINANCIAL RATIOS

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

Notes:

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

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

(3) Debt to equity ratio is total borrowings (including loans payables to Bitauto, its subsidiaries and consolidated affiliated entities) plus lease liabilities divided by total equity at the end of each financial period.

Current Ratio

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

Gearing Ratio

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

Debt to Equity Ratio

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

CAPITAL EXPENDITURE AND INVESTMENTS

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

FOREIGN EXCHANGE RISK

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

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

SIGNIFICANT INVESTMENTS HELD

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

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICY

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

DIRECTORS AND SENIOR MANAGEMENT

OUR DIRECTORS

The biography of each Director is set out below.

EXECUTIVE DIRECTORS

Mr. Andy Xuan Zhang, aged 45, is the Chief Executive Officer, an executive Director and chairman of the Board. He is also the chairman of the Nomination Committee as well as a member of the Remuneration Committee. Mr. Zhang also acts as a director of certain subsidiaries of the Company. Mr. Zhang founded the Group in December 2013. He is responsible for the overall strategic planning and business direction of the Group and management of the Company. Mr. Zhang has over 20 years of operational and managerial experience with both multinational companies and local Chinese companies in internet, automobile and finance industries. Mr. Zhang held numerous positions in Bitauto since 2006. He has served as an executive director and the chief executive officer of Bitauto since January 2018. His extensive involvement in Bitauto's strategy and operations contributed significantly to the growth of Bitauto and its listing on the NYSE from November 2010 to November 2020.

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, aged 49, is an executive Director, the President and a director of certain subsidiaries of the Company. He joined the Company in March 2015 and was the chief operating officer of the Company from June 2017 to December 2017. Mr. Jiang is primarily responsible for overseeing the day-to-day operations of the Company. Prior to joining our Group, from February 2011 to March 2015, Mr. Jiang was group deputy manager of China Grand Automotive Services Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600297). From January 2008 to January 2010, he was senior vice president of China Auto Rental Inc. (now known as CAR Inc.), a company listed on the Main Board of the Stock Exchange (stock code: 699).

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

NON-EXECUTIVE DIRECTORS

Mr. Jimmy Chi Ming Lai, aged 48, is a non-executive Director since June 2017. Mr. Lai is the vice president of Tencent and chairman of Infinium Limited (currently known as Fusion Bank Limited). He joined Tencent in 2009 and was the general manager for Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司) between 2012 and 2019. In 2015, Tencent's payment business was accelerated and developed into Tencent FiT (Financial Technology). Since then, Mr. Lai has been leading Tencent FiT until 2019.

Mr. Lai was a director of Haomai Asset Management Co., Ltd. (好買財富管理股份有限公司), a company listed on the National Equities Exchange and Quotations ("**NEEQ**") in the PRC (stock code: 834418), from February 2017 to December 2019. In addition, Mr. Lai was a non-executive director of ZhongAn Online P & C Insurance Co., Ltd.* (眾安在線財產保險股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6060), from November 2013 to March 2020, as well as a director of Shanghai E-Money Software Technology Co., Ltd. (上海益盟軟件技術股份有限公司), a company listed on the NEEQ (stock code: 832950), from December 2015 to February 2017.

Mr. Lai is appointed to the board of directors of the Financial Services Development Council for a term from January 2, 2020 to January 16, 2021. Mr. Lai serves as a member of the Financial Infrastructure and Market Development Sub-Committee (FIMC) under the Exchange Fund Advisory Committee (EFAC) since May 2020, a non-official member of the Committee on Innovation, Technology and Reindustrialization in Hong Kong since April 2019 and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development in Hong Kong since March 2018. He is also a member of the Chinese People's Political Consultative Conference Guangdong Committee since January 2018.

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

Mr. Chenkai Ling, aged 44, is a non-executive Director. Mr. Ling joined our Group in June 2017. He joined JD.com in July 2016, worked as the vice president of corporate strategy and investment of JD.com, head of JD international since September 2018, worked as corporate vice president and general manager of retail solution of JD.com since May 2019, worked as corporate vice president and the head of strategic development and general support department of JD Retail group since March 2020. Prior to this, he worked at Bain & Company, Inc. from August 2008, and was serving as a principal of the firm when he left in July 2016.

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

Mr. Huan Zhou, aged 38, is a non-executive Director. Mr. Zhou joined our Group in May 2019. He has been employed by Baidu, Inc., a company listed on the Nasdaq Global Select Market (NASDAQ: BIDU) since November 2016, with current position as a vice president of MEG Development Unit. Prior to that, he was employed by Dah Sing Bank (China) Limited from December 2012 to October 2016, with last position as the head of retail banking in the head office.

Mr. Zhou obtained his master degree in business administration from the Hong Kong University of Science and Technology in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tin Fan Yuen, aged 68, 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 an 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, 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 and independent non-executive director of 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), from March 2013 to August 2019.

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

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

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

Mr. Chester Tun Ho Kwok, aged 57, 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 an independent non-executive Director on November 6, 2017. Since January 2016, Mr. Kwok has been an independent non-executive director and a member of the audit committee and investment committee of Henderson Sunlight Asset Management Limited ("**Henderson Sunlight**"), the manager of Sunlight Real Estate Investment Trust, a company listed on the Main Board of the Stock Exchange (stock code: 435). With effect from November 1, 2018, Mr. Kwok was appointed as a member of the remuneration and nomination committee of Henderson Sunlight. He has also served as 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 and the deputy chairman and a member of the Share Registrars' Disciplinary Committee of the Securities and Futures Commission between April 2017 to March 2019 and April 2013 to March 2019, respectively.

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

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

Ms. Lily Li Dong, aged 50, 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. On April 13, 2020, Ms Dong was appointed as the independent director and a member of the audit committee and nominating and corporate governance committee of 58.com Inc., a company listed on the NYSE (stock code: WUBA). On April 20, 2020, she was appointed as a member of the special committee of 58.com Inc. to evaluate and consider the acquisition/privatization proposal from certain investors. She carried these roles until September 17, 2020 when 58.com Inc. completed privatization. From August 2015 to June 2017, Ms. Dong was the chief financial officer of eDaijia, an online designated driver service provider. Prior to that, she served as chief financial officer at RDA Microelectronics, Inc., a fabless semiconductor company previously listed on Nasdaq Global Select Market (stock code: RDA) ("**RDA**"), 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 that, 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. Zhi Gao, aged 49, is our Chief Operating Officer and primarily responsible for managing auto finance operations of our Group. Mr. Gao previously served as Vice President of Operations since joining our Group in September 2016. Prior to joining our Group, Mr. Gao was employed 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, serving as duty general manager and market executive head of Coca-Cola Bottling Plant prior to his departure.

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

Mr. Xiaoguang Yang, aged 45, joined our Group in June 2020 as Chief Financial Officer. Prior to joining our Group, Mr. Yang served as chief financial officer and director of Wacai Network Technology Co., Ltd* (挖財網絡技術有限公司). Prior to that, Mr. Yang served at Fullerton Credit Services of Fullerton Financial Holdings Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Pte. Ltd., Singapore, from 2014 to 2016 as chief financial officer, responsible for corporate finance, equity financing and legal affairs. Mr. Yang also held financial management positions in Far East Horizon Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3360) and GE Capital of General Electric Company, a company listed on the NYSE (NYSE: GE).

Mr. Yang holds a bachelor's degree from Nankai University and a master's degree in business administration from Arizona State University.

COMPANY SECRETARY

Mr. Man Wah Cheng is the Company Secretary of the Company. 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 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Director	Details of Change	Effective Date
Ms. Lily Li Dong	Appointed as a member of the special committee of 58.com Inc. to evaluate and consider the acquisition/ privatization proposal from certain investors.	April 20, 2020 – September 17, 2020
	Ceased to be the independent director and a member of the audit committee and nominating and corporate governance committee of 58.com Inc.	September 17, 2020
Mr. James Gordon Mitchell	Retired as non-executive Director	June 19, 2020

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

REPORT OF THE DIRECTORS

The Board presents its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 19, 2014 as an exempted limited liability company under the Cayman Companies Law. The Company adopted and carries on business in Hong Kong under the name of "Yixin Automotive Technology Group Limited".

PRINCIPAL ACTIVITIES

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

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

USE OF NET PROCEEDS FROM THE LISTING

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

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

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

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

BUSINESS REVIEW

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

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

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated income statement on page 117 of this annual report.

The Directors did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil). No Shareholder has waived or agreed to waive any dividends.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2020 are set out in Note 22 to the consolidated financial statements.

During the year ended December 31, 2020, 2,915,315 new ordinary shares were issued pursuant to the Pre-IPO Share Option Scheme as a result of the exercise of share options by option holders.

RESERVES

As at December 31, 2020, the Company had distributable reserves amounting to RMB16,910,544,000 (2019: RMB17,892,682,000).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in the consolidated statement of changes in equity on pages 121 to 122 and in Note 36(b) to the consolidated financial statements, respectively.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended December 31, 2020 are set out in Note 12 to the consolidated financial statements.

SUBSIDIARIES

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

DEBENTURES AND BORROWINGS

As at December 31, 2020, our total borrowings were RMB10.1 billion, compared to RMB19.8 billion as at December 31, 2019. Total borrowings comprised (i) asset back securities and notes of RMB2.7 billion; and (ii) bank loans and borrowings from other institutions of RMB7.4 billion as at December 31, 2020. Details of the Group's borrowings are set out in Note 27 to the consolidated financial statements.

The Group did not issue any debenture during the Reporting Period (2019: nil).

DONATIONS

During the year ended December 31, 2020, the Group did not make any charitable donations (2019: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the condensed consolidated results and financial positions of the Group for the last five financial years is set out on page 222 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

1. Pre-IPO Share Option Scheme

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

Purpose

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

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

1. Pre-IPO Share Option Scheme (Continued)

Eligible participants

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

Maximum number of Shares

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

As at December 31, 2020, outstanding options representing 218,759,576 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 24(a) 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.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

1. Pre-IPO Share Option Scheme (Continued)

Exercise price

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

Details of the movement of the options granted under the Pre-IPO Share Option Scheme during the year are as follows:

				Number of options			
Name or category of option holders	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2020	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at December 31, 2020
Director and senior management							
Mr. Andy Xuan Zhang	July 3, 2017	10 years from date of grant	US$0.0014	192,599,071	–	(24,135,071)	168,464,000
	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	6,982,506	(2,915,315)	(413,007)	3,654,184
Total				**265,283,766**	**(2,915,315)**	**(24,548,078)**	**237,820,373**

Further details of the Pre-IPO Share Option Scheme are set out in the Prospectus and Note 24(a) to the consolidated financial statements.

2. First Share Award Scheme

The First Share Award Scheme operated during the Reporting Period 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.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

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, 2020, 107,752,427 Shares had been granted or agreed to be granted under the First Share Award Scheme and the trustee has applied shares held under the First Share Award Scheme which were unallocated or forfeited pursuant to the First Share Award Scheme to partly satisfy the awards granted.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

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

Name	Date of grant	Held at January 1, 2020	Granted during the year	Number of Awards Vested during the year	Lapsed during the year	Held at December 31, 2020	Vesting date	Closing price at date of grant (HK$)
Other grantees								
In aggregate	17-Jul-18	7,849,993	–	(7,688,619)	(161,374)	–	31-Mar-20	3.14
	17-Jul-18	142,800	–	(142,800)	–	–	31-Aug-20	3.14
	17-Jul-18	91,000	–	(21,000)	(70,000)	–	30-Sep-20	3.14
	17-Jul-18	572,500	–	(430,000)	(142,500)	–	31-Dec-20	3.14
	17-Jul-18	7,793,268	–	–	(1,814,059)	5,979,209	31-Mar-21	3.14
	17-Jul-18	91,000	–	–	(70,000)	21,000	30-Sep-21	3.14
	17-Jul-18	572,500	–	–	(142,500)	430,000	31-Dec-21	3.14
	17-Jul-18	7,336,658	–	–	(1,814,059)	5,522,599	31-Mar-22	3.14
Sub-total		24,449,719	–	(8,282,419)	(4,214,492)	11,952,808		
In aggregate	20-Dec-18	9,215,100	–	(9,065,100)	(150,000)	–	31-Mar-20	1.83
	20-Dec-18	1,768,229	–	(1,502,479)	(265,750)	–	31-Aug-20	1.83
	20-Dec-18	232,500	–	(165,000)	(67,500)	–	30-Nov-20	1.83
	20-Dec-18	9,215,100	–	–	(1,044,821)	8,170,279	31-Mar-21	1.83
	20-Dec-18	1,768,229	–	–	(365,750)	1,402,479	31-Aug-21	1.83
	20-Dec-18	232,500	–	–	(67,500)	165,000	30-Nov-21	1.83
	20-Dec-18	9,215,096	–	–	(1,044,821)	8,170,275	31-Mar-22	1.83
	20-Dec-18	1,768,292	–	–	(365,750)	1,402,542	31-Aug-22	1.83
	20-Dec-18	232,500	–	–	(67,500)	165,000	30-Nov-22	1.83
Sub-total		33,647,546	–	(10,732,579)	(3,439,392)	19,475,575		
In aggregate	24-Jul-19	831,143	–	(831,143)	–	–	31-Mar-20	1.82
	24-Jul-19	1,365,500	–	(1,365,500)	–	–	31-Aug-20	1.82
	24-Jul-19	645,905	–	–	(360,572)	285,333	31-Mar-21	1.82
	24-Jul-19	1,365,500	–	–	–	1,365,500	31-Aug-21	1.82
	24-Jul-19	485,232	–	–	(300,000)	185,232	31-Mar-22	1.82
	24-Jul-19	1,365,500	–	–	–	1,365,500	31-Aug-22	1.82
	24-Jul-19	300,000	–	–	(300,000)	–	31-Mar-23	1.82
	24-Jul-19	1,365,500	–	–	–	1,365,500	31-Aug-23	1.82
Sub-total		7,724,280	–	(2,196,643)	(960,572)	4,567,065		

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

2. First Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Name	Date of grant	Held at January 1, 2020	Granted during the year	Number of Awards Vested during the year	Lapsed during the year	Held at December 31, 2020	Vesting date	Closing price at date of grant (HK$)
In aggregate	9-Dec-20	–	400,000	–	–	400,000	31-Mar-21	2.63
	9-Dec-20	–	950,000	–	–	950,000	31-Aug-21	2.63
	9-Dec-20	–	400,000	–	–	400,000	31-Mar-22	2.63
	9-Dec-20	–	950,000	–	–	950,000	31-Aug-22	2.63
	9-Dec-20	–	400,000	–	–	400,000	31-Mar-23	2.63
	9-Dec-20	–	950,000	–	–	950,000	31-Aug-23	2.63
	9-Dec-20	–	400,000	–	–	400,000	31-Mar-24	2.63
	9-Dec-20	–	950,000	–	–	950,000	31-Aug-24	2.63
Sub-total		–	5,400,000	–	–	5,400,000		
Total		**65,821,545**	**5,400,000**	**(21,211,641)**	**(8,614,456)**	**41,395,448**		

Limit for each participant

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

Termination

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

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

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

Further details of the First Share Award Scheme are set out in the Prospectus and Note 24(b) to the consolidated financial statements.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

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, 2020, 12,318,478 Shares had been granted or agreed to be granted under the Second Share Award Scheme.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

3. Second Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

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

Name	Date of grant	Held at January 1, 2020	Number of Awards Granted during the year	Vested during the year	Lapsed during the year	Held at December 31, 2020	Vesting date	Closing price at date of grant (HK$)
Directors								
Mr. Dong Jiang	20-Sep-18	2,450,000[1]	–	(2,450,000)	–	–	31-Mar-20	2.34
	20-Sep-18	1,225,000	–	–	–	1,225,000	31-Mar-21	2.34
	20-Sep-18	1,225,000	–	–	–	1,225,000	31-Mar-22	2.34
Mr. Tin Fan Yuen	20-Sep-18	337,847	–	(337,847)	–	–	16-Nov-20	2.34
	20-Sep-18	337,850	–	–	–	337,850	16-Nov-21	2.34
Mr. Chester Tun Hon Kwok	20-Sep-18	337,847	–	(337,847)	–	–	16-Nov-20	2.34
	20-Sep-18	337,850	–	–	–	337,850	16-Nov-21	2.34
Ms. Lily Li Dong	20-Sep-18	168,924	–	(168,924)	–	–	16-Nov-20	2.34
	20-Sep-18	168,924	–	–	–	168,924	16-Nov-21	2.34
Sub-total		6,589,242	–	(3,294,618)	–	3,294,624		
Other grantees								
In aggregate	20-Sep-18	1,000,000[2]	–	(1,000,000)	–	–	31-Mar-20	2.34
	20-Sep-18	500,000	–	–	–	500,000	31-Mar-21	2.34
	20-Sep-18	500,000	–	–	–	500,000	31-Mar-22	2.34
	20-Dec-18	600,000[3]	–	(600,000)	–	–	31-Mar-20	1.83
	20-Dec-18	300,000	–	–	–	300,000	31-Mar-21	1.83
	20-Dec-18	300,000	–	–	–	300,000	31-Mar-22	1.83
Sub-total		3,200,000	–	(1,600,000)	–	1,600,000		
Total		**9,789,242**		**(4,894,618)**		**4,894,624**		

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEMES (CONTINUED)

3. Second Share Award Scheme (Continued)

Maximum number of Shares to be awarded (Continued)

Notes:

(1) 1,225,000 awards of vesting date of March 31, 2019 for Mr. Dong Jiang has been postponed to March 31, 2020.

(2) 500,000 awards of vesting date of March 31, 2019 for other grantees has been postponed to March 31, 2020.

(3) 300,000 awards of vesting date of March 31, 2019 for other grantees has been postponed to March 31, 2020.

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 24(b) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS

The Directors who held office during the year ended December 31, 2020 and up to the date of this report are:

Executive Directors:

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

Non-executive Directors:

Mr. James Gordon Mitchell *(retired on June 19, 2020)*
Mr. Jimmy Chi Ming Lai
Mr. Chenkai Ling
Mr. Huan Zhou

Independent Non-executive Directors:

Mr. Tin Fan Yuen
Mr. Chester Tun Ho Kwok
Ms. Lily Li Dong

Pursuant to Article 16.18 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and will be eligible for re-election at that meeting. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Chenkai Ling, Mr. Zhou Huan, Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong shall retire by rotation at the Annual General Meeting and, all being eligible, offer themselves for re-election, except Mr. Zhou Huan, who does not opt for re-election due to his other business commitments which requires more of his dedication.

BOARD OF DIRECTORS

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

DIRECTORS’ SERVICE CONTRACTS

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, 2020.

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.

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, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the underlying Shares

	Number of Shares			
Name of Director	**Personal interest**	**Number of underlying Shares interested**	**Total interests**	**Approximate percentage of issued Shares[6]**
Mr. Andy Xuan Zhang	–	233,466,189(L)[1]	233,466,189	3.66%
Mr. Dong Jiang	34,743,310(L)	2,450,000(L)[2]	37,193,310	0.58%
Ms. Lily Li Dong	–	168,924(L)[3]	168,924	0.00%
Mr. Chester Tung Ho Kwok	–	337,850(L)[3]	337,850	0.01%
Mr. Tin Fan Yuen	–	337,850(L)[3]	337,850	0.01%

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to receive up to 233,466,189 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(2) Such interest represents the award shares granted to Mr. Dong Jiang under the Second Share Award Scheme adopted by the Company on September 20, 2018.

(3) Such interest represents the award shares granted to each of Ms. Lily Li Dong, Mr. Chester Tung Ho Kwok and Mr. Tin Fan Yuen under the Second Share Award Scheme adopted by the Company respectively on September 20, 2018, and 168,924 Shares, 337,847 Shares and 337,847 Shares been vested in the year ended December 31, 2020.

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

(5) The percentages are calculated on the basis of 6,376,600,363 Shares in issue as at December 31, 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (CONTINUED)

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

	Number of ordinary shares in Bitauto				
Name of Director	Beneficiary of a trust (other than a discretionary interest)	Personal interest	Number of underlying shares interested	Total interests	Approximate percentage of issued shares[3]
Mr. Andy Xuan Zhang	–	–	1,680,000(L)[1]	1,680,000	2.28%

Notes:

(1) Mr. Andy Xuan Zhang's entitlement to shares related to outstanding options granted under Bitauto's employee incentive plans.

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

(3) The percentage is calculated in the basis of 73,761,089 ordinary shares of Bitauto in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, 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, 2020, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of Shares interested(8)	Approximate percentage of issued Shares(9)
Bitauto	Beneficial owner	496,544,440(L)	7.79%
Bitauto[1]	Interest of controlled corporation	2,290,292,130(L)	35.92%
Bitauto HK[1]	Beneficial owner	2,290,292,130(L)	35.92%
THL H Limited[2]	Beneficial owner	931,604,940(L)	14.61%
Tencent Mobility[2]	Beneficial owner	489,922,607(L)	7.68%
Morespark[2]	Beneficial owner	267,603,350(L)	4.20%
Morespark[2,3]	Interest of controlled corporation	2,786,836,570(L)	43.70%
Morespark[2,4]	A concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	94,267,904(L)	1.48%
Yiche Holding Limited[3]	Interest of controlled corporation	2,786,836,570(L)	43.70%
Tencent[2]	Interest of controlled corporation	4,570,235,371(L)	71.67%
JD Financial Investment Limited[5]	Beneficial owner	684,283,320(L)	10.73%
JD.com Investment Limited[5]	Interest of controlled corporation	684,283,320(L)	10.73%
JD.com[5]	Interest of controlled corporation	684,283,320(L)	10.73%
Max Smart Ltd[5]	Interest of controlled corporation	684,283,320(L)	10.73%
UBS Trustees (B.V.I.) Limited[5]	Trustee	684,283,320(L)	10.73%
劉強東	Beneficiary of a trust	684,283,320(L)	10.73%
Hammer Capital[4]	A concert party to an agreement to buy shares described in s.317(1)(a) of the SFO	3,148,707,824(L)	49.38%
Hammer Capital Asset Management Limited[6]	Investment manager	3,148,707,824(L)	49.38%
Hammer Capital Partners Ltd.[6]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Hammer Capital Opportunities General Partner[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Silver Oryx Limited[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Avantua Investments Limited[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Go Winner Investments Limited[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Woodbury Capital Management Limited[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Cheng Chi Kong[4]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Cheung Siu Fai[6]	Interest of controlled corporation	3,148,707,824(L)	49.38%
Tsang Ling Kay Rodney[4, 6, 7]	Interest of controlled corporation	3,243,053,684(L)	50.86%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

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) THL H Limited which holds 931,604,940 Shares, Morespark which holds 267,603,350 Shares and deemed to be interested in 2,786,836,570 Shares (as detailed in (3) below) and in 94,267,904 Shares (as detailed in (4) below), and Tencent Mobility which holds 489,922,607 Shares, are wholly-owned subsidiaries of Tencent. Accordingly, Tencent is deemed to be interested in the same number of Shares in which THL H Limited, Morespark and Tencent Mobility are interested under the SFO.

(3) Morespark owns 68.18% of Yiche Holding Limited. As such, Morespark is deemed to be interested in the same number of Shares in which Yiche Holding Limited is interested under the SFO.

(4) Morespark (an entity controlled by Tencent) and Hammer Capital (a corporation controlled by Silver Oryx Limited, Avantua Investments Limited, Go Winner Investments Limited, Woodbury Capital Management Limited, Cheng Chi Kong, Hammer Capital Opportunities General Partner and Tsang Ling Kay Rodney) entered into the consortium agreement dated June 15, 2020 under section 317 of the SFO relating to, amongst others, the possible unconditional mandatory general offer to be made for all the issued Shares. By virtue of the SFO, each of Morespark, the controlling corporations and controlling persons of Hammer Capital is deemed to be interested in the same number of Shares in which Hammer Capital is interested.

(5) JD Financial Investment Limited is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is controlled in terms of voting power as to 73% by Max Smart Limited, which in turn is wholly-owned by UBS Nominees Limited, and UBS Nominees Limited is owned as to 100% by UBS Trustees (B.V.I.) Limited. Accordingly, each of JD.com Investment Limited, JD.com, Max Smart Limited, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited are deemed to be interested in the same number of Shares in which JD Financial Investment Limited is interested under the SFO.

(6) Hammer Capital Asset Management Limited, being a corporation controlled by Hammer Capital Partners Ltd., Tsang Ling Kay Rodney and Cheung Siu Fai, is the investment manager of Hammer Capital which has become a member of the concert party group with interest in the Company (details refer to (5) above). By virtue of the SFO, each of Hammer Capital Asset Management Limited, its controlling corporation and controlling persons is deemed to be interested in the same number of Shares in which Hammer Capital is interested.

(7) Hammer Capital Management Limited which is interested in 94,345,860 Shares is a corporation controlled by Tsang Ling Kay Rodney. By virtue of the SFO, Tsang Ling Kay Rodney is deemed to be interested in the same number of Shares in which Hammer Capital Management Limited is interested.

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

(9) The percentages are calculated on the basis of 6,376,600,363 Shares in issue as at December 31, 2020.

Save as disclosed above, as at December 31, 2020, 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, 2020, 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 or the Consolidated Affiliated Entity and the Controlling Shareholders or any of their subsidiaries during the year ended December 31, 2020.

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

During the Reporting Period the Group engaged in certain transactions with the following persons (and/or their respective associates as defined under Rules 14A.07, 14A.12 and 14A.13 as appropriate) that constituted connected transactions under the Listing Rules.

- Bitauto is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder. Any transactions between the Company and Bitauto and/or its associates are considered as connected transactions pursuant to Rule 14A.25.

- Bitauto HK is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder. Any transactions between the Company and Bitauto HK are considered as connected transactions pursuant to Rule 14A.25.

- Tencent is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder. Any transactions between the Company and Tencent and/or its associates are considered as connected transactions pursuant to Rule 14A.25.

- JD.com is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder. Any transactions between the Company and JD.com and/or its associates are considered as connected transactions pursuant to Rule 14A.25.

CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group during the Reporting Period, 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. 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")

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 expired on December 31, 2019. The Company renewed the above agreement by entering into the renewed Used Auto Services Strategic Cooperation Agreement ("**Renewed Used Auto Services Strategic Cooperation Agreement**") with Jingzhengu on December 12, 2019. The term of the Renewed Used Auto Services Strategic Cooperation Agreement is for three years and commenced on 1 January 2020. Aside from the new annual caps described below, the terms of the Renewed Used Auto Services Strategic Cooperation Agreement (including the pricing policy) are substantially the same as those of the Used Auto Services Strategic Cooperation Agreement.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

1. 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") (Continued)

The fees payable by us to Jingzhengu 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. The service fee and calculation method were agreed between the parties based on the specific type and usage of the services in each transaction.

The annual cap for the Used Auto Services Strategic Cooperation Agreement for the year ended December 31, 2020 was RMB30,000,000 and the aggregate fees paid by the Group pursuant to the Used Auto Services Strategic Cooperation Agreement for the year ended December 31, 2020 amounted to approximately RMB10,454,000.

The annual cap for the Renewed Used Auto Services Strategic Cooperation Agreement for each of the years ending December 31, 2021 and 2022 is RMB40,000,000 and RMB50,000,000 respectively.

Jingzhengu provides services to the Group in relation to our used auto business, including onsite and online valuation and inspection. We require inspection services in order to meet our customers' demand for used automobile inspection services, as well as 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.

Further details of the Renewed Used Auto Services Strategic Cooperation Agreement are set out in the announcement of the Company dated December 12, 2019.

2. 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 and commenced on the date of the agreement. The Company, through Shanghai Yixin, renewed the above agreement by entering into the renewed Automobile Leasing Framework Agreement (the "**Renewed Automobile Leasing Framework Agreement**") with Beijing Bitcar Interactive (an associate of Bitauto) on December 12, 2019. The term of the Renewed Automobile Leasing Framework Agreement is for three years and commenced on 1 January 2020. Aside from the new annual caps described below, the terms of the Renewed Automobile Leasing Framework Agreement (including the pricing policy) are substantially the same as those of the Automobile Leasing Framework Agreement.

Under the Automobile Leasing Framework Agreement and the Renewed 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

2. Automobile leasing agreement with Beijing Bitauto Interactive (Continued)

Beijing Bitauto Interactive or Beijing Bitcar 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.

The annual cap for the Automobile Leasing Framework Agreement for the year ended December 31, 2020 was RMB10,000,000 and no fee was paid to the Group pursuant to the Automobile Leasing Framework Agreement for the year ended December 31, 2020.

The annual cap for the Renewed Automobile Leasing Framework Agreement for each of the years ending December 31, 2021 and 2022 is RMB15,000,000 and RMB20,000,000 respectively.

Further details of the Renewed Automobile Leasing Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

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

On August 7, 2018, Xinche Investment and WeBank (an associate of Tencent) entered into an automobile financing cooperation framework agreement (the "**Automobile Financing Cooperation Framework Agreement**"), pursuant to which Xinche Investment and WeBank agreed to cooperate to deliver certain automobile financing services to their customers. WeBank will pay Xinche Investment service fees in consideration for the cooperation. The term of the Automobile Financing Cooperation Framework Agreement commenced from August 7, 2018 and was expired on December 31, 2019. On April 11, 2019, a supplemental agreement was entered into between Xinche Investment and WeBank to revise the 2019 annual cap to RMB275,000,000 and extend the expiration date of the Automobile Financing Cooperation Framework Agreement to December 31, 2020 with the 2020 annual cap of RMB275,000,000. The Company expected to continue the transactions under the Automobile Financing Cooperation Framework Agreement after December 31, 2020 and, through Xinche Investment, renewed the above agreement by entering into the renewed Automobile Financing Cooperation Framework Agreement (the "**Renewed Automobile Financing Cooperation Framework Agreement**") with WeBank on November 17, 2020. The term of the Renewed Automobile Financing Cooperation Framework Agreement is for three years and commenced on 1 January 2021.

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3. Automobile financing cooperation framework agreement with WeBank Co., Ltd (深圳前海微眾銀行股份有限公司) ("WeBank") (Continued)

The services fees to be payable by WeBank to the Group under the Automobile Financing Cooperation Framework Agreement and the supplemental agreement dated April 11, 2019 shall be calculated by multiplying the interest income WeBank generates from auto loan transactions facilitated by the Group and a predetermined rate, which is derived from the quotient of (a) the difference between the annualized interest rate that WeBank charges for the auto loan transactions facilitated by the Group (the "**Annualized Interest Rate**") and the annualized rate of return WeBank requires and (b) the Annualized Interest Rate. The annualized rate of return WeBank requires and the Annualized Interest Rate may be agreed from time to time between the parties with reference to prevailing market conditions and rates. The aggregate fees paid to the Group pursuant to the Automobile Financing Cooperation Framework Agreement and the supplemental agreement dated April 11, 2019 for the year ended December 31, 2020 amounted to approximately RMB818,000.

The services fees payable by WeBank to the Group under the Renewed Automobile Financing Cooperation Framework Agreement constitute two components, namely the basic service fees and the supplemental service fees. The basic service fees for each auto loan transaction facilitated by the Group shall be calculated by multiplying the interest income WeBank generates from auto loan transactions facilitated by the Group and a predetermined rate, which is derived from the quotient of (a) the difference between the Annualized Interest Rate and the annualized rate of return WeBank requires and (b) the Annualized Interest Rate. The annualized rate of return WeBank requires and the Annualized Interest Rate may be agreed from time to time between the parties with reference to prevailing market conditions and rates. The supplemental service fees are charged based on the scale of the auto loan transactions facilitated by the Group. It shall be calculated by multiplying the total amount of auto loans by a predetermined rate which shall be determined with reference to fair market rate and specified in the subsequent cooperation agreements.

The annual cap for the Renewed Automobile Financing Cooperation Framework Agreement is RMB280,000,000 for each of the years ending December 31, 2021, 2022 and 2023.

By entering into the Automobile Financing Cooperation Framework Agreement, the supplemental agreement dated April 11, 2019 and the Renewed Automobile Financing Cooperation Framework Agreement with WeBank, the Group can leverage on its expertise and capabilities of Loan Facilitation Services to serve more auto finance customers, increase revenues, and grow business and operation scale and with a long-term cooperation relationship between the Group and WeBank, the Group expects that it will benefit from WeBank, which is familiar with the industry and business operation of the Group, so it will be at an advantage to provide the Group with more effective, suitable and flexible services compared to other industry players.

Further details of the supplemental agreement are set out in the announcement of the Company dated April 11, 2019, and further details of the Renewed Automobile Financing Cooperation Framework Agreement are set out in the announcement of the Company dated November 17, 2020.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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.

The Company, through Xinche Investment, renewed the above agreement by entering into the renewed Cooperation Framework Agreement (the "**Renewed Cooperation Framework Agreement**") with Beijing Bitcar Interactive on December 12, 2019. The term of the Renewed Cooperation Framework Agreement is for three years and commenced on 1 January 2020.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

4. Data services and promotion service cooperation framework agreement with Beijing Bitauto Interactive (Continued)

Due to the business considerations of Beijing Bitauto Interactive, the online calculator tool service which the Group used to provide to Beijing Bitauto Interactive under the Cooperation Framework Agreement has been discontinued since January, 2018. The brand promotion services, traffic support services and advertising agent services under the Cooperation Framework Agreement have been combined and categorized now as advertising services under the Renewed Cooperation Framework Agreement to better account for and reflect the comprehensive advertising services provided by the Group. The annual caps for the Renewed Cooperation Framework Agreement are as follows:

	Annual Cap amount		
	for the year ended December 31, 2020 *(RMB)*	**for the year ending December 31, 2021** *(RMB)*	**for the year ending December 31, 2022** *(RMB)*
Data services	14,000,000	14,000,000	14,000,000
Advertising services	60,000,000	70,000,000	80,000,000
Total	74,000,000	84,000,000	94,000,000

The aggregate fees for data services and advertising services paid to the Group pursuant to the Renewed Cooperation Framework Agreement for the year ended December 31, 2020 amounted to approximately RMB14,000,000 and RMB36,000,000 respectively.

The service fees with regard to the data services are calculated on a fixed fee based on the scale of the data study and the service fees with regard to promotion services are calculated based on the cost per click, the cost per reach, the cost per download, the length of advertising and the cost per sale made from the advertising.

Aside from the new annual caps, termination of the online calculation tool service and the new grouping of the data and advertising services described above, the terms of the Renewed Cooperation Framework Agreement (including the pricing policy) are substantially the same as those of the Cooperation Framework Agreement.

By entering into the Renewed Cooperation Framework Agreement, the Company can continue its long-term cooperation with Bitauto and better categorise and account for the services provided by the Group. 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 Renewed Cooperation Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

5. Payment Services Framework Agreement with Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司) ("Tenpay")

Reference is made to the Prospectus in relation to the payment related services provided by certain associates of Tencent to members of the Group since July 2017. Pursuant to Rule 14A.76(1) of the Listing Rules, the above payment related services constituted a de minimis transaction and as such, were exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

On September 12, 2019, in view of the increasing use of Weixin Pay (微信支付) by customers of the Group and hence increasing business transactions with Tenpay (an associate of Tencent), the Company entered into the payment services framework agreement (the "**Payment Services Framework Agreement**") with Tenpay to set (i) the annual caps and (ii) a term from September 12, 2019 to December 31, 2021 for the payment related services to be provided by Tenpay to the Group.

Tenpay provides certain payment related services to the Group including but not limited to payment channel services for customers of the Group, such as Weixin Pay (微信支付). In exchange, the Group pays a handling fee to Tenpay. The handling fee payable by the Group was determined after arm's length negotiation between the parties and with reference to the market rates for payment services of a similar nature with regard to the number of customers and amounts paid. The handling fee is calculated as a percentage of the amount paid by customers using the specific payment services, and will be settled by either deducting credits brought forward or making real-time deduction from the payments made by customers of the Group.

The annual cap for the Payment Services Framework Agreement for each of the three years ended December 31, 2019, 2020 and 2021 is RMB20,000,000, RMB30,000,000 and RMB40,000,000 respectively. The aggregate fees paid by the Group pursuant to the Payment Services Framework Agreement for the year ended December 31, 2020 amounted to approximately RMB6,085,000.

Weixin Pay (微信支付) is gaining popularity among Chinese internet users in recent years and has become a leading mobile payment platform in China. In view of the increasing usage of Weixin Pay (微信支付) by our customers, the entering into of the Payment Services Framework Agreement enable the Group to continue the long-term cooperation with and benefit from the specific payment services provided by Tencent, set the annual caps which better reflect the current expectation and trend for the increased popularity of such payment channel services, and for better governing of the conduct of the continuing connected transaction.

Further details of the Payment Services Framework Agreement are set out in the announcement of the Company dated September 12, 2019.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

6. Advertising Framework Agreement with Beijing Bitauto Interactive

On December 12, 2019, Beijing Yixin entered into the advertising framework agreement (the "**Advertising Framework Agreement**") with Beijing Bitauto Interactive (an associate of Bitauto), pursuant to which Beijing Bitauto Interactive or its affiliated companies shall provide certain services to the Group including but not limited to brand, product and website promotion on online and offline platforms which Beijing Bitauto Interactive or its affiliated companies operates, controls or cooperates with. In exchange, the Group shall pay Beijing Bitauto Interactive or its affiliated companies a fee. The term of the Advertising Framework Agreement is for three years and commenced on 1 January 2020.

The fee payable by the Group under the Advertising Framework Agreement was determined after arm's length negotiation between the parties and with reference to the market rates for advertising services of comparable specifications, for a similar number of days, time and format of advertisement. The terms were no less favourable to the Company than those which could be obtained from independent third party suppliers. With regard to promotion services, the service fees are calculated based on the cost per click, the cost per reach, the cost per download, the cost for the duration of advertising, the cost per sales made from the advertising, the complexity of the advertisement and the distribution means of the advertisement.

The annual cap for the Advertising Framework Agreement for each of the years ending December 31, 2020, 2021 and 2022 is RMB100,000,000, RMB105,000,000 and RMB110,000,000 respectively. No fee was paid by the Group pursuant to the Advertising Framework Agreement for the year ended December 31, 2020.

By entering into the Advertising Framework Agreement, the Company can utilise the leading automobile promotion platform of Bitauto and increase its potential to reach new customers.

Further details of the Advertising Framework Agreement are set out in the announcement of the Company dated December 12, 2019.

7. Platform Technology Services Framework Agreement with Suqian Yunhan

On December 10, 2019, Shanghai Yixin and Suqian Yunhan (an associate of Mr. Liu Qiangdong who is the ultimate controlling shareholder of JD.com which in turn is one of the substantial shareholders of the Company) entered into the platform technology services agreement (the "**December Platform Technology Services Agreement**"), pursuant to which Suqian Yunhan shall set up a service promotion section designated to Shanghai Yixin on the *Jingdong Baitiao* platform it operates and thereby generate user traffic to Shanghai Yixin for promoting its online automobile financing business and the Group shall pay Suqian Yunhan service fees in consideration for the services provided. The term of the December Platform Technology Services Agreement commenced on December 10, 2019 and ended on February 29, 2020.

The service fees shall be paid monthly via bank transfer and calculated based on an agreed percentage of the financing amounts released by Shanghai Yixin in the month pursuant to the successful transactions between Shanghai Yixin and the users generated from the December Platform Technology Services Agreement.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

7. Platform Technology Services Framework Agreement with Suqian Yunhan (Continued)

On March 30, 2020, Shanghai Yixin and Suqian Yunhan entered into the platform technology services framework agreement (the "**Platform Technology Services Framework Agreement**"), pursuant to which Suqian Yunhan (or its affiliated companies) shall promote the Group's online automobile financing business through a service promotion section on the *Jingdong Baitiao* platforms it operates and the Group shall pay Suqian Yunhan (or its affiliated companies) service fees in consideration for the services provided. The term of the Platform Technology Services Framework Agreement shall commence on the date of the agreement and end on December 31, 2022.

The service fees shall be calculated based on a certain percentage (i.e. the service fee rate, which shall be within an agreed range with reference to the prevailing market rates) of the financing amounts of the successful transactions between the Group and the users generated from the Platform Technology Services Framework Agreement.

The annual caps under the December Platform Technology Services Agreement and the Platform Technology Services Framework Agreement are as follows:

	For the financial year ended December 31, 2019	2020	For the financial year ending December 31, 2021	2022
December Platform Technology Services Agreement	RMB500,000	RMB2,000,000	–	–
Platform Technology Services Framework Agreement	–	RMB52,920,000	RMB52,920,000	RMB80,000,000
In aggregate:	**RMB500,000**	**RMB54,920,000**	**RMB52,920,000**	**RMB80,000,000**

The aggregate fees paid by the Group pursuant to the December Platform Technology Services Agreement and the Platform Technology Services Framework Agreement for the year ended December 31, 2020 amounted to approximately RMB5,391,000.

By entering into the Platform Technology Services Framework Agreement and the December Platform Technology Services Agreement with Suqian Yunhan, the Group can utilise the *Jingdong Baitiao* platforms, which are among the leading consumer lending online platforms in China, and further expand its customer base for its automobile financing business with the aim to increase its revenues and operation scale.

Further details of the December Platform Technology Services Agreement and the Platform Technology Services Framework Agreement are set out in the announcement of the Company dated March 30, 2020.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Confirmation from the independent non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions mentioned under sections (1) to (7) above (the "**Continuing Connected Transactions**"), and confirmed the Continuing Connected Transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the continuing connected transactions of the Group for the year ended December 31, 2020, 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, 2020:

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

(b) for transactions involving the provision of goods or services by the Group, nothing has come to 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) with respect to the aggregate amount of each of the continuing connected transactions, 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 Group.

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New 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 New 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 by Tianjin Jushen Information Technology Co., Ltd. (天津聚莘信息技術有限公司) ("**Tianjin Jushen**"), Shenzhen Tencent Industry Investment Fund Co., Ltd., (深圳市騰訊產業投資基金有限公司) ("**Shenzhen Tencent**") and 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 "**Nominal Shareholders**"), pursuant to the New Contractual Arrangements (as described below). Shenzhen Tencent, Beijing JD and Tianjin Jushen are all domestic PRC companies. Tianjin Jushen is wholly-owned by Mr. Chen Yongzhi (陳永智), who is a PRC citizen and the vice president of the asset management department of the Group.

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

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

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on August 10, 2017. Under the Contractual Arrangements, Beijing KKC had acquired effective control over the financial and operational policies of Beijing Yixin and had become entitled to all the economic benefits derived from their operations. On October 4, 2018, we entered into the New Contractual Arrangements (which have terms and conditions substantially the same as the Contractual Arrangements) mainly for the change of one of the nominal shareholders of Beijing Yixin from Mr. Bo Han to Tianjin Jushen. The Contractual Arrangements were terminated concurrently. We believe that the New 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

Reasons for the New Contractual Arrangements (Continued)

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

Risks relating to the Two Contractual Arrangements

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

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

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

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

New Contractual Arrangements in place

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

1. Exclusive business cooperation agreements

   Beijing Yixin entered into a new exclusive business cooperation agreement with Tianjin Kars on October 4, 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Beijing Yixin agreed to engage Tianjin Kars 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 Tianjin Kars and Beijing Yixin in writing through negotiation after consideration of certain factors.

   As of December 31, 2020, the accumulated losses of Beijing Yixin amounted to RMB700 million (2019: RMB488 million). Tianjin Kars 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, Tianjin Kars will provide financial support to Beijing Yixin.

2. Exclusive option agreements

   Beijing Yixin and each of the Nominal Shareholders entered into a new exclusive option agreement with Tianjin Kars on October 4, 2018 (the "**Exclusive Option Agreements**"), pursuant to which the Nominal Shareholders granted Tianjin Kars 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 Nominal Shareholders once or at multiple times at any time in part or in whole at Tianjin Kars's sole and absolute discretion, to the extent permitted under the applicable PRC laws. Where Tianjin Kars chooses to purchase the Optioned Interest, the Nominal Shareholders shall cause Beijing Yixin to promptly convene a shareholders' meeting, at which a resolution shall be adopted approving the Nominal Shareholder's transfer of the Optioned Interests to Tianjin Kars and/or its designee.

3. Equity interest pledge agreements

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

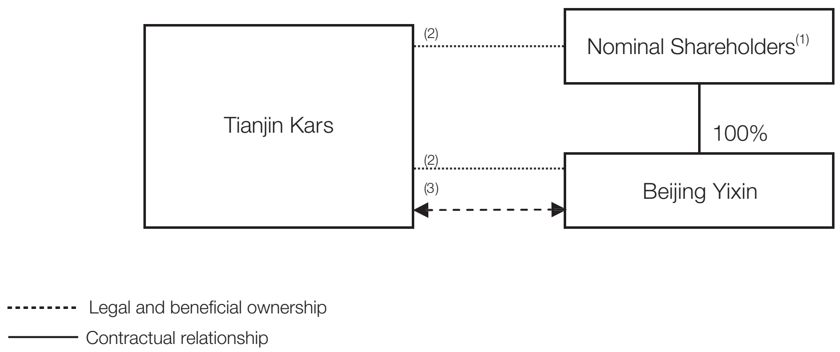
8. New Contractual Arrangements (Continued)

New Contractual Arrangements in place (Continued)

4. Powers of attorney

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

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



Notes:

(1) The Nominal Shareholders of Beijing Yixin are Tianjin Jushen, Shenzhen Tencent and Beijing JD holding 55.7%, 26.6% and 17.7% of the equity interests in Beijing Yixin, respectively.

(2) The Nominal Shareholders executed the powers of attorney in favor of Tianjin Kars to exercise all shareholders' rights in Beijing Yixin. Please refer to the announcement of the Company dated October 4, 2018 for further details.

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

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

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

There are neither other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the financial year ended December 31, 2020, nor material change in the New Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2020.

For the year ended December 31, 2020, none of the New Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the New Contractual Arrangements has been removed.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

New Contractual Arrangements in place (Continued)

We have been advised by our PRC Legal Advisor that the New Contractual Arrangements do not violate the relevant PRC regulations.

The revenue of Beijing Yixin for the years ended December 31, 2020 and 2019 were RMB37 million and RMB67 million, respectively.

For the year ended December 31, 2020 the revenue of Beijing Yixin amounted to approximately 1.1% (2019: 1.2%) of the revenue for the year of the Group.

Mitigation actions taken by the Company

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

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

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

Listing Rule Implications

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

Waiver from the Stock Exchange and annual review

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

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

(b) no change without independent Shareholders' approval;

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

Waiver from the Stock Exchange and annual review (Continued)

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

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

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

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

Qualification requirements

PRC law currently limits foreign ownership of companies that provide value-added telecommunications services (including Internet information services other than operating E-commerce business, Domestic multi-party communication services, Store-and-forward business, and Call center business) in the PRC up to 50%. Moreover, for a foreign investor to obtain any equity interest in a value-added telecommunications company in China, it must satisfy the Qualification Requirements. Foreign investors that meet these requirements must obtain approvals from the MIIT or its authorized local counterparts, which retain considerable discretion in granting approvals. Pursuant to publicly available information, the PRC government has issued value-added telecommunications business operating licenses to only a limited number of foreign-invested companies. If Beijing Yixin has a foreign investor as its shareholder, such foreign investor must fulfill the aforementioned requirements and Beijing Yixin shall apply a new ICP License from the MIIT. The MIIT will have discretion as to whether to grant the license. None of our Company or any of its offshore subsidiaries currently satisfies the qualification requirement relating to value-added telecommunications businesses.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

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 equity interests in Beijing Yixin when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in the PRC. We are in the process of expanding our overseas value-added telecommunications business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

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

2. We have registered several trademarks outside the PRC for the promotion of our Relevant Businesses overseas;

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

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

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

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

We, our PRC Legal Advisor, the Joint Sponsors' Hong Kong and U.S. law legal advisor and the Joint Sponsors' PRC legal advisor conducted an interview with the Beijing Municipal Communications Administration on June 14, 2017, 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

Efforts and actions undertaken to comply with the Qualification Requirements (Continued)

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 New Contractual Arrangements between Tianjin Kars, the Company's wholly-owned subsidiaries in the PRC, on the one hand, and Beijing Yixin and its respective shareholders, on the other hand. The New 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 New 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 New 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 New Contractual Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. New Contractual Arrangements (Continued)

Confirmation from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to conduct certain procedures in respect of the transactions carried out pursuant to the New Contractual Arrangements of the Group for the year ended December 31, 2020, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The Auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the New Contractual Arrangements during the Reporting Period:

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

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

(c) with respect to the contractual arrangements entered into by the Group, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by Beijing Yixin to its registered equity holders which are not otherwise subsequently assigned or transferred to the Group.

The actual amount of the transactions pursuant to the New Contractual Arrangements during the Reporting Period, which are eliminated in the consolidated financial statements, is RMB8,480,000.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

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

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

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

For the year ended December 31, 2020, the revenue amounts from the Group’s five largest customers accounted for 13% (2019: 22%) of the Group’s total revenue and the revenue amount from our single largest customer accounted for 7% (2019: 6%) of the Group’s total revenue.

During the year ended December 31, 2020, our largest customer from which we derived 7% of our revenues was Industrial and Commercial Bank of China.

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

MAJOR CUSTOMERS AND SUPPLIERS (CONTINUED)

Suppliers

Our suppliers primarily include auto dealers, which supply us or our customers with automobiles and facilitate our financed transactions with our customers, 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, 2020 accounted for approximately 13% (2019: 22%) of our total purchase amount. Our largest supplier for the year ended December 31, 2020 accounted for approximately 10% (2019: 8%) of our total purchase amount.

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

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

On March 5, 2021, the distributions in specie by Bitauto of all of the ordinary shares in the share capital of the Company held directly or indirectly by it to Yiche Holding Limited (the "**Parent**") and by Parent to its shareholders respectively (the "**Distributions**") have been completed. Following the completion of the Distributions, the minimum public float applicable to the Company of 22.99% has been restored in compliance with the public float requirement pursuant to Rule 8.08(1)(a) of the Listing Rules.

For the context and further details of the restoration of minimum public float requirement, please refer to the announcements of the Company dated December 2, 2020, December 21, 2020 and March 5, 2021.

Save as disclsoed in this annual report, no important events affecting the Company occurred after December 31, 2020 and up to the date of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

PUBLIC FLOAT

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

As disclosed in the Close of Offer Announcement, immediately after the close of the Offers, subject to the completion of the transfer to the Joint Offerors of those Yixin Offer Shares acquired by them under the Share Offer (in respect of which valid acceptances were received), 1,181,515,266 Shares, representing approximately 18.53% of the entire issued share capital of the Company as at the date of the Close of Offer Announcement, were held by the public (as defined in the Listing Rules). Accordingly, the minimum public float requirement of 22.99% was not satisfied as at the date of the Close of Offer Announcement.

Following the close of the Offers, the Company has applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 2 December 2020 to 1 April 2021 (the "**Waiver Period**") after taking into account, among others, the time required to restore the minimum public float by way of Bitauto making a distribution in specie of all of the Shares held directly or indirectly by it to its shareholders.

On December 18, 2020, the Stock Exchange has granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period. Further details are set out in the announcement of the Company dated December 21, 2020.

Save as disclosed above and based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the despatch of this annual report, the Company has maintained the minimum public float as permitted by the Stock Exchange during the Reporting Period.

As at the date of this annual report, public float has been restored. Further details are set out in the announcement of the Company dated March 5, 2021.

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 Monday, May 3, 2021 to Thursday, May 6, 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, April 30, 2021.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

By the Order of the Board
Andy Xuan Zhang
Chairman

March 24, 2021

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Securities Dealing Code throughout the year ended December 31, 2020.

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/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board composition

The Board currently comprises eight members as follows:

Executive Directors:	Mr. Andy Xuan Zhang *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)* Mr. Dong Jiang *(President)*
Non-executive Directors:	Mr. Jimmy Chi Ming Lai Mr. Chenkai Ling Mr. Huan Zhou
Independent Non-executive Directors:	Mr. Tin Fan Yuen *(Chairman of the Remuneration Committee and Member of the Audit Committee)* Mr. Chester Tun Ho Kwok *(Chairman of the Audit Committee and Member of the Nomination Committee)* Ms. Lily Li Dong *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

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

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 Reporting Period, 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. Any Director appointed to fill a casual vacancy or as an addition to the Board shall not be taken into account in determining which Directors are to retire by rotation. The retiring Directors shall be eligible for re-election thereat.

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

Responsibilities and Accountabilities of the Directors

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

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

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

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

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

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. All Directors have been updated on the latest developments regarding the statutory and regulatory requirements and also the business and market changes to facilitate the performance of their responsibilities and obligations under the Listing Rules and relevant statutory requirements, and enhance their awareness of good corporate governance practices.

All directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading materials on changes and developments to the Group's business and to the legislative and regulatory environments relating to the market and the operations of the Group would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training during the Reporting Period.

BOARD COMMITTEES

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

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

Audit Committee

The main duties of the Audit Committee include:

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

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

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

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

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

During the Reporting Period, the Audit Committee met 5 times with all members of the committee attended. The Audit Committee's work performed during the Reporting Period included: reviewing the Company's annual financial results and annual report for the year ended December 31, 2019 and the interim results and interim report for the six months ended June 30, 2020, the significant issues on financial reporting, operational and compliance matters, risk management and internal control systems and internal audit function, terms of engagement and remuneration of external auditor, continuing connected transactions of the Group, arrangements for employees to raise concerns about possible improprieties and profit warning announcement.

Remuneration Committee

The primary functions of the Remuneration Committee include:

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

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

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

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

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

The remuneration of the executive Directors and senior management are set out in Notes 8 and 33 to the consolidated financial statements in this annual report.

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

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

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

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

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

The nomination policy adopted by the Company (the "**Nomination Policy**"), which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations, is reproduced as follows.

Nomination Policy

1. *Objective*

1.1 The nomination committee (the "**Nomination Committee**") of Yixin Group Limited (the "**Company**") shall identify, consider and nominate suitable individuals to the board (the "**Board**") of directors (the "**Directors**") to consider and to make recommendations to the shareholders of the Company (the "**Shareholders**") for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.

1.2 The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (the "**Succession Planning**") for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

1.3 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.4 The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

2. *Selection Criteria*

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

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

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

3. *Nomination Procedures*

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

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

3.3 The candidate nominated by the Board to stand for election at a general meeting (the "**Board Candidate**", together with the Shareholder Candidate defined in paragraph 3.6 below, the "**Candidate**") will submit the necessary personal information, together with his/her written consent to be elected as a Director and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The Nomination Committee may request the Board Candidate to provide additional information and documents, if considered necessary.

3.4 A circular will be sent to the Shareholders (the "**Shareholder Circular**") as to provide information of the Board Candidate, and to invite nominations from the Shareholders. The Shareholder Circular will include (i) the period for lodgment (the "**Lodgment Period**") of nominations by the Shareholders; (ii) the personal information of the Board Candidate as required by the applicable laws, rules and regulations, inter alia, name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration.

3.5 Until the issue of the Shareholder Circular, the Board Candidate shall not assume that he/she has been nominated by the Board to stand for election at the general meeting.

3.6 A Shareholder can serve a notice (the "**Notice**") to the Company Secretary within the Lodgment Period to propose a resolution to elect another person (the "**Shareholder Candidate**") other than the Board Candidate as a Director. The Notice (i) must include the personal information of the Shareholder Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder concerned and signed by the Shareholder Candidate indicating his/her consent to be elected and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The particulars of the Shareholder Candidate will be sent to the Shareholders for information by a supplementary circular.

3.7 The Candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.8 The resolution for election of Directors for the Shareholder Candidate shall take the same form as for the Board Candidate.

4. Succession Planning

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

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

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

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

5. Confidentiality

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

6. *Monitoring and Reporting*

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

7. *Review of the Nomination Policy*

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

During the Reporting Period, the Nomination Committee met once with all members of the committee attended to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and the Nomination Policy as well as to consider and make recommendations to the Board on the qualifications of the Directors standing for re-election at the annual general meeting of the Company held in 2020.

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

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Andy Xuan Zhang	7/7	N/A	1/1	1/1	1/1
Mr. Dong Jiang	7/7	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. James Gordon Mitchell#	4/4	N/A	N/A	N/A	0/1
Mr. Jimmy Chi Ming Lai	6/7	N/A	N/A	N/A	0/1
Mr. Chenkai Ling	7/7	N/A	N/A	N/A	0/1
Mr. Huan Zhou	0/7	N/A	N/A	N/A	0/1
Independent Non-executive Directors:					
Mr. Tin Fan Yuen	7/7	5/5	1/1	N/A	0/1
Mr. Chester Tun Ho Kwok	7/7	5/5	N/A	1/1	1/1
Ms. Lily Li Dong	7/7	5/5	1/1	1/1	0/1

retired at the conclusion of the annual general meeting of the Company held on June 19, 2020.

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

DIVIDEND POLICY

The dividend policy adopted by the Company (the "**Dividend Policy**"), which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders, is reproduced as follows:

Dividend Policy

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

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

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

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

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.

Disclosure of Inside Information

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

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

Continuing Connected Transactions

The Company has put in place appropriate policies and procedures to monitor and ensure its continuing connected transactions are entered into and conducted in accordance with the terms of the relevant agreements and the requirements of the Listing Rules.

Reference is made to the Prospectus in relation to the following internal control procedures adopted by the Group for the continuing connected transactions of the Company:

(a) No member of the Group shall conduct any connected transactions, (i) which are either not on arm's length terms or (ii) which are on arm's length terms but are in excess of 5% of the Group's net assets or if aggregated with all other connected transactions in the same fiscal year will exceed 20% of annual budgeted revenue of the Group for the fiscal year, without the affirmative consent or approval by the majority of the Directors. For further details, see the section headed "History and Corporate Structure-Pre-IPO Investments" of the Prospectus.

(b) The Company has established internal control mechanisms to identify connected transactions. If the Group enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable Listing Rules. For further details, see the section headed "Relationship with Our Controlling Shareholders-Corporate Governance Measures" of the Prospectus.

The Group has adopted clear pricing policies and guidelines for its continuing connected transactions and procedures for determining the price and terms of the transactions in accordance with such pricing policies and guidelines. For purchases of products or services, the operations department of the Group would obtain quotations for comparable products or services from not less than two independent third parties as well as from the connected person in question; it would then carry out an analysis of the options available taking into account a range of factors, such as the pricing, payment terms, expertise, capabilities and reputation of the suppliers and the Group's past business experience with the suppliers (if any); the results of such analysis would be reported to the senior management of the Group; the senior management would then form a view as to which option is most favourable to the Group and would then report its findings to the Board for approval. For sales of products or services, the Group either applies pricing more favourable to the Group to a connected person as compared to the pricing offered to other customers or charges the market price. To assess the market price, the operations department of the Group would obtain pricing for comparable products or services from not less than two independent third parties. In any case, the pricing and terms of a continuing connected transaction must be no less favourable to the Group than those available to or from independent third parties, fair and reasonable and in the interest of the Shareholders and the Company as a whole. No agreement for any continuing connected transaction would be entered into unless with prior approval of the senior management of the Group and the Board. The Company confirms that it has followed its pricing policies and guidelines when determining the price and terms of its continuing connected transactions conducted during the Reporting Period.

The legal and compliance department and the financial management department of the Group will also review the terms of any proposed new continuing connected transaction or any existing continuing connected transaction proposed to be renewed to ensure compliance with the Listing Rules. None of such agreements would be entered into unless with prior approval of the legal and compliance department, the financial management department and senior management of the Group and the Board.

The legal and compliance department and the financial management department of the Group will summarize the transaction amounts incurred under the Group's continuing connected transactions regularly on a monthly basis and report to the senior management of the Group. The senior management and the relevant departments of the Group will be informed of the status of the continuing connected transactions in a timely manner such that the transaction amounts can be conducted within the relevant annual caps (if applicable). In addition, the independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions. The Company will also engage its external auditors to conduct annual review of the continuing connected transactions in accordance with the requirements under the Listing Rules.

The Group will regularly examine the pricing of its continuing connected transactions to ensure that such transactions are conducted in accordance with the pricing terms thereof, including reviewing the historical transaction records of the Group for similar services and arrangements with other independent third party for similar services.

Risk Management

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

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

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

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

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

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

Internal Control

The Company has always valued the importance of the internal control systems, and has complied with the requirements under 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 Group are effective and adequate.

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

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

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 section headed "Independent Auditor's Report" of this annual report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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

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

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

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category

	Fees Paid/Payable	
	2020	2019
	RMB'000	*RMB'000*
Audit Services	**5,973**	7,300
Non-audit Services	**341**	724
Total	**6,314**	8,024

The statement of the Auditor about their reporting responsibilities for the consolidated financial statements is set out in the section headed "Independent Auditor's Report" of this annual report. During the Reporting Period, the remuneration paid/payable to the Auditor was disclosed in Note 7 to the consolidated financial statements. The audit and audit-related services conducted by the Auditor mainly comprised statutory audits and reviews for the Group and certain of its subsidiaries, and the reporting on continuing connected transactions. The non-audit services conducted by the Auditor mainly included professional services on tax consulting and ESG issues 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. The Company Secretary, Mr. Man Wah Cheng, is an employee of the Company, reports to the Chairman and Chief Executive Officer and is responsible for facilitating the Board's processes and communications among Board members, with the Shareholders and with the management of the Company. All Directors should have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations, are followed.

According to Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of the relevant professional training during the year ended December 31, 2020.

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.

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: Yixin Building
1 North, Zhongguancun Hongqiao Innovation Center
365 Linhong Road, Changning District
Shanghai, China

For the attention of the Head of Investor Relations

Email: ir@yixincars.com

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

Computershare Hong Kong Investor Services Limited

Address:	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for change of name or address and loss of Share certificates)
Address:	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for transfer of Shares)
Telephone:	(852) 2862 8628
Facsimile:	(852) 2865 0990/2529 6087

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

INVESTOR RELATIONS

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

The Memorandum and Articles of Association is available on the websites of the Company (www.yixincars.com) and the Stock Exchange (www.hkexnews.hk). During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association.

ABOUT THIS REPORT

This is the ESG report for the year ended December 31, 2020 released by Yixin Group Limited (hereinafter referred to as "Yixin Group", the "Group", the "Company", "we", "us" or "our") in compliance with the requirements of the "Environmental, Social and Governance (hereinafter referred to as "ESG") Reporting Guide" in Appendix 27 to the Listing Rules, with a view to reflect the overall ESG performance of the Company in an objective and fair manner. Readers are advised to read this Report together with the section "Corporate Governance Report" in the annual report. Unless otherwise stated, the scope of this Report covers the operating units of Yixin Group and its subsidiaries in mainland China, and the Reporting Period is from January 1, 2020 to December 31, 2020. The ESG report for the year is prepared with consistency in terms of methodology with previous years, which adhered to the reporting principles of materiality, quantitative and consistency in the ESG Reporting Guide.

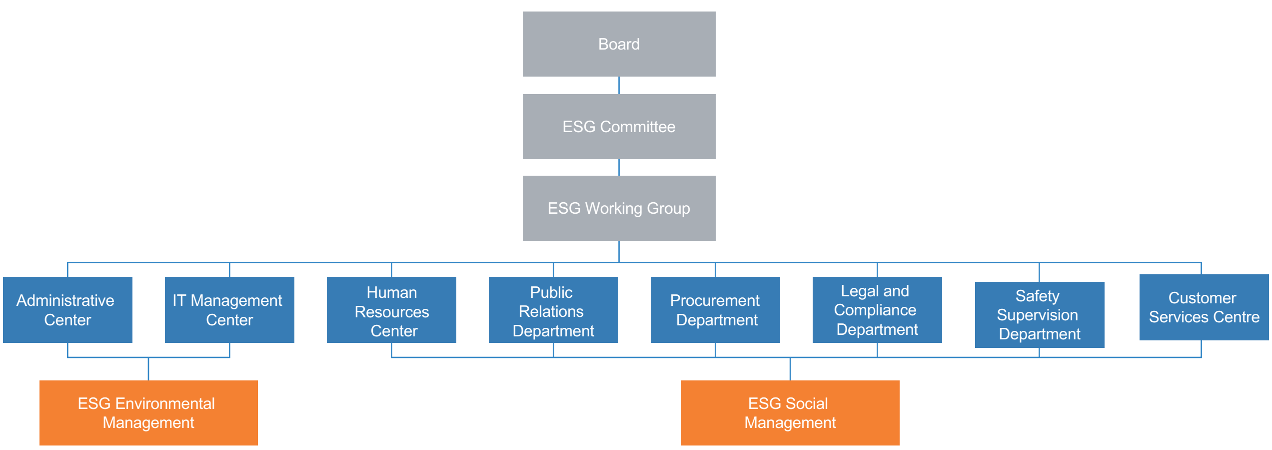
ESG GOVERNANCE AND MATERIALITY ANALYSIS

While creating economic value for the society and Shareholders, the Group is committed to establish and enhance a business system which covers consumers, automakers, auto dealers, auto financing partners and aftermarket service providers by leveraging our online financial automobile transaction platform, in order to facilitate transactions that may arise in an automobile consumer trading cycle and throughout any life cycle of the automobiles.

We have continuously enhanced the ESG management system of the Group by establishing an ESG management mechanism featuring "supervision by the Board, implementation by the management and inter-departmental linkage". In July 2018, we established an ESG Committee comprising three ESG members, which is chaired by Mr. Andy Xuan Zhang, an Executive Director, the Chief Executive Officer and the Chairman of the Board. The primary responsibilities of the ESG Committee include reviewing and monitoring the ESG policies and practices of the Group to ensure compliance with relevant laws and regulatory requirements, monitoring and responding to new ESG related issues, and providing recommendations to the Board as and when necessary so as to improve the ESG performance of the Group.

On March 19, 2020, the ESG Committee of the Group held a meeting, which reviewed the ESG Report and Corporate Governance Report for 2019, evaluated the effectiveness and adequacy of the terms of reference of the ESG committee, and conducted an annual review of shareholders' communication policies.

The relevant heads of the departments of the Group have formed an ESG Working Group, which is primarily responsible for the implementation of ESG related work of the Group. We have further segregated and specified the responsibilities of each department in ESG management during this year. Based on the compliance with the requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange, we continued to enhance our ESG management level in combination with our business development strategies, and improved our ESG management organizational structure.



We acknowledge the importance of feedback on our ESG performance from stakeholders (including our Shareholders and investors, government and regulatory authorities, our employees, suppliers, customers, business partners, the community and the public, etc.). Therefore, we have established effective communication channels for stakeholders and actively solicit their relevant feedback. The key stakeholders and their communication channels include but are not limited to:

Summary of major communication channels and issues of concern of stakeholders of the Group

Key stakeholders	Key issues of concern	Major communications and responses
Government and regulatory authorities	Major meetings, policy consultations, incident reports, institutional inspections, information disclosure, climate change, etc.	• Compliance operation • Corporate governance • Environmental management
Shareholders and investors	Investor seminars, corporate announcements and circulars, investor relations columns on our official website, climate change, etc.	• Profitability • Business strategies • Transparency of information disclosure
Employees	Meetings, employee activities, social media, etc.	• Employee compensation and benefits • Development and training opportunities • Healthy working environment
Suppliers	Phone calls, conferences, mails, site visits, etc.	• Fair cooperation • Integrity performance
Customers	Customer complaint hotline, customer services center, etc.	• Service quality • Privacy protection
Business partners	Strategic cooperation, communication and interaction, etc.	• Fair cooperation • Integrity performance • Mutual development
Community and public	Charitable activities, community interactions, corporate recruitment seminars, etc.	• Community relations • Promotion of employment • Community investment and charitable activities

To further specify the key areas of the ESG practice of the Company, we carried out assessments on ESG issues by stakeholders via stakeholder questionnaires this year. We have also concluded a materiality matrix for ESG key topics to highlight the main focus of our reports and actions by studying domestic and international industrial benchmarks to understand the latest development of the industry and making reference to the analysis and suggestions from internal and external experts as well as the results of the stakeholder questionnaires.

PRODUCT LIABILITY

The Company strictly abides by the "Law on Protection of Consumer Rights and Interests of the PRC", the "E-commerce Law of the PRC" and other laws and regulations, implements industry regulatory documents such as the "Administrative Measures for Automobile Finance Companies" and the "Administrative Measures on Automobile Financing", improves quality inspection requirements, and is committed to offer excellent customer service experience with quality services and protecting the legitimate rights and interests of customers in upholding our high integrity. Moreover, the Group has continuously enhanced its management in ensuring the security of customers' information, and pragmatically fulfilled our corporate responsibilities in products and services so as to promote the development of the industry.

Improving customer services

Consumers' rights and interests are always the core concern of the Company. The Company has implemented the "Customer Service Management System", and continuously optimize our service process by actively collecting and responding to opinions and feedbacks from customers promptly to ensure premium customer experience.

To ensure the quality of customer complaint services and improve service efficiency, the Company is committed to develop IVR voice self-service and Wechat official account self-service to resolve customer complaints in a high quality manner through this automated system, so as to provide customers with more convenient and faster services. Meanwhile, the Company constantly improves the training and skill development of customer service personnel so as to provide customers with better one-stop services.

During the year, the Company further improved its customer complaint and suggestion mechanism and expanded the channels for customer complaints and suggestions. The Company received the diverted complaints from transfer through two external complaint platforms, namely Black Cat and 21CN this year besides the existing customer services hotline, offline feedback from branches and cooperative dealers, and WeChat self-service channels. In 2020, 414 and 374 diverted customer complaints were received through the two platforms respectively, which were followed up, analyzed, received, handled and reviewed to ensure that all types of complaints could be responded and handled in a timely manner. In addition, the Company has actively established a complaint feedback mechanism, conducted telephone interviews in relation to customer messages on platforms such as Yixin Finance APP, Yixin Auto Owner Services and WeChat Official Account, and answered queries from customers on the phone so as to ensure that all complaints were properly resolved and actively reconciled with customers.

To enhance service supervision, the Company has optimized and upgraded the service quality inspection system, comprehensively improved the efficiency of quality inspection, and provided technical support for the quality of customer services work. The Company automatically converts audio information to text information in the customer complaint recording through the AI quality inspection system, and uses the word library established by the Company to search for keywords, so as to rapidly recognize irregular recordings; meanwhile, the Company makes full use of voice intonation analysis system to accurately locate factors such as the decibel and tone of audio information in customer complaints, and quickly identify staff's service attitude issues. The Company fully carried out customer service audio detection through the above AI quality inspection system to further improve our customer service level. With the assistance of daily manual quality inspection, at least three recordings will be reviewed each day for each active seat. Relevant problems will be dealt with in a timely manner to best ensure service quality.

During our daily service, we always reflect on frequent customer issues and make customers informed in advance of the potential issues to further improve their experience. In 2020, a total of 179,434 customers were involved in our satisfaction assessment, and 99.30% of them were satisfied with our services. Due to the nature of the Company's operations, products that must be recycled for safety and health reasons were not included.

Case: Service guarantee during the COVID-19 epidemic

In early 2020, there was a sudden outbreak of the COVID-19 epidemic. To ensure the business operations during the epidemic and minimize the impact of the epidemic on repayments from customers, we launched services of application for delayed repayment to the loan grantors on behalf of five types of customers affected by the epidemic, including confirmed patients and medical personnel, so as to reduce the inconvenience caused by the epidemic to customers to the maximum extent. On January 28, 2020, online ride-hailing operations in Xi'an City, Shaanxi Province were suspended due to the epidemic, causing local online ride-hailing drivers to suffer financial pressure as a result of lack of income and to become unable to support repayment. Under such circumstances, the Company actively proposed to extend the repayment for such customers for one month and reduce or exempt related expenses, and the solution received recognition from the customers and the society.

Protection of rights and interests of consumers

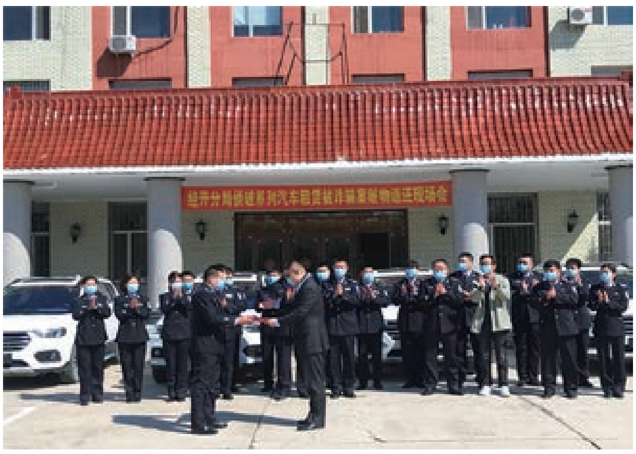
The Company actively promotes the development of protection of consumers' rights and interests, carries out customer care on platforms such as WeChat official accounts, and provides customers with year-end lucky draws, repayment gifts and other reward activities. Meanwhile, we popularize business knowledge for customers on the WeChat official platform, and provide convenient daily services such as car maintenance, refueling, violation payment, emergency rescue and food, so as to further enhance customer loyalty.

To effectively protect the legitimate rights and interests of customers, the Company actively publicizes anti-fraud both online and offline. For online promotion, we have set up a fraud prevention column under the secondary menu of the Wechat official account, and publicize anti-fraud through themed comics. Meanwhile, the Company carried out offline promotional activities, and signed anti-fraud letters with car owners to comprehensively enhance anti-fraud awareness of consumers.

In response to external fraud, the Company intensifies its prevention and combat efforts to maintain the safety of the assets of the Group and provide reliable guarantees for the healthy and stable development of the Company. In recent years, the Company has continuously cooperated with local police to combat against illegal crimes, and successfully assisted the police in detecting a number of auto finance fraud cases, creating a good and healthy environment for the long-term development of the auto finance industry.

Case: Yixin assisted Jilin Baicheng police in detecting significant car rental fraud case

In April 2020, the Public Security Bureau of Jilin Baicheng City Economic Development Zone held a "Meeting on Returning Stolen Cars in Series of Car Rental Fraud Cases" which returned the cars recovered in the recent detected cases to Yixin Group. It was reported that the investigation of the case spanned over 2 years with the hard work by the special investigation group and the concerted cooperation of the police and enterprises, for which more than 40 persons were involved and 14 criminal suspects were sentenced, of which the chief criminal Ma was sentenced to an imprisonment for 12 years, and 17 vehicles involved were recovered. Such case effectively combated the arrogance of lawbreakers and pragmatically safeguarded the legitimate rights and interests of consumers.



▲Certain vehicles involved have been recovered

Regulating compliant operations

The Company has established a risk management system to identify and assess the risk factors in our operations through the multi-level management and control system among the audit committee, internal audit department and business functional departments, and formulated corresponding counter-measures to provide guarantee for compliant and stable operation of the Company.

The Company attaches great importance to the compliance of partners in carrying out their businesses. To regulate the daily operation of partners, the "Rules on Management of Partners" have been formulated, stipulating the relevant requirements of promotion, collection of fees, receipt of goods, collection of repayment and complaint handling of partners, prohibitions and penalties.

The Company has also set up monitoring and verification channels for partners. Customers may lodge a complaint or report violations by partners through our hotline, WeChat official account, or by leaving messages on our official website, etc. Meanwhile, we conduct telephone interviews with transaction customers and conduct on-site compliance inspections for partners from time to time. The Company takes measures such as fines, downgrades, suspension of entry authority, termination of cooperation, and investigation of legal liabilities depending on the seriousness of the nature of the violations and irregularities of partners.

Case: Compliance and Internal Control Month

To enhance the legal literacy of employees, the Company held a themed event named Compliance and Internal Control Month this year, and conducted online special training on the latest national and industry regulations and policies. In the Compliance and Internal Control Month event in August 2020, the Company hired legal experts to hold three special training seminars on the impact of the Civil Code on financial lease, big data compliance, financial lease risks and legal interpretation, with over 600 participants in total.

▲Seminars in Compliance and Internal Control Month

Protecting intellectual property

Intellectual property is one of the core competitive strengths of an enterprise. We are in strict compliance with the "Advertising Law of the PRC", the "Trademark Law of the PRC", the "Patent Law of the PRC" and the "Interim Measures for Administration of Online Advertising" and other relevant laws and regulations. To prevent intellectual property risks, the Company revised the "Administrative Measures for the Release Procedure of Advertising and Publicity Materials of Yixin Group" in 2020, which improved the systematic review procedure, supplemented and amended contents regarding issues including but not limited to the use of intellectual property rights, and made additions including rules for compliance self-check and handling violations.

In 2020, the Company continued to carry out manual monitoring of intellectual property rights, and conducted screening and testing through external websites such as the Trademark Office website and TianYanCha.com to protect the intellectual property rights of Yixin Group. Meanwhile, the Company indicates the names of other subjects when publishing reports, and avoids infringement incidents by checking whether the content of the advertisements released infringes upon the intellectual property rights of others and whether there are any infringing pictures. In 2020, 109 pieces of publicity materials and related advertising contents of the Company were reviewed, and no infringement or complaints were found.

Safeguarding information security

As a platform for exchanging, accessing and sharing information, information security is essential to the Company's operation. The Company strictly abides by the "Cyber Security Law of the PRC" and the "Information Security Technology – Personal Information Security Specification" and other relevant laws and regulations. To protect information security and privacy of users, and reduce the risk of data leakage, we have formulated the "Service Terms and Privacy Policies of Yixin Group", the "Administrative Measures for Application of Extraction of Third-Party's Sensitive Data" and other administrative regulations to standardize and ensure the security of customer information. In 2020, the Company continued to implement online approval for the extraction of sensitive data, and followed up the release of the "Administrative Measures for Confidentiality of Trade Secrets", which stipulates the scope of protection and protection measures of trade secrets. In addition, the Company actively responded to the management of the National Internet Finance Association of China, contacted the Association to apply for the filing of mobile financial client application software, and actively applied for acceptance of management and supervision of the Association to further protect the privacy and security of customer information.

Case: Improving awareness of information security

To improve the awareness of information security of the Company's employees, the Company publishes an announcement on "Information Security Awareness Causerie" to all employees via WeChat every week, introducing some commonly used methods of preventing loopholes and anti-phishing to our employees via easy-to-understand comics. Such method makes publicity more fun and comprehensively enhances the awareness of information security of all employees.

▲Announcement on Information Security Awareness Causerie

Facilitating industry development

Advocating business compliance has been a top priority in our daily management. Following the first charitable seminar for promoting laws on automobile finance to the public with the theme "industry self-discipline and financial law publicity" held in 2018 which was jointly organized by the Company and the Shanghai Information Services Association, we were more active in law publicity activities from 2019 to 2020, and issued the "Guidelines on Regulatory Compliance for Automobile Finance" jointly with the Legal Daily to put forward constructive opinions on the regulated operation of the PRC automobile finance industry; meanwhile, we cooperated with the Dongguan Police in Guangdong to jointly organize two large-scale offline campaigns to prevent telecommunications network fraud with the theme "Fraud Knowledge and Prevention" to facilitate the healthy development of the industry.

▲Anti-fraud Activity in Dongguan

While creating value for customers and promoting industry development on an ongoing basis, we are also well recognized by the industry and the society. In 2020, the Company won the following awards:

- In January 2020, the "Gold Hong Kong Stocks 'Best Financial Stock Company'" selected by www.zhitongcaijing.com and www.0033.com
- In June 2020, the "Culture Innovation Award for Enterprise Management Innovation Enterprises" selected by the "Power of China" 2020
- In September 2020, the 6th Asset Securitization · Jiefu Awards – "Financial Lease ABS Market Recognized Product Award for the Year 2020" selected by www.caishiv.com
- In November 2020, the Best Listed Company in Greater China · "Best Information Disclosure Award for the Year 2020" selected by www.gelonghui.com
- In November 2020, the "Hunting Vehicles • Best Automobile Finance Trading Platform for 2020" selected by National Business Daily
- In November 2020, the China Automobile "Gold Engine" Award "Best Automobile Finance Leasing Company for the Year 2020" selected by "21st Century Business Herald"
- In November 2020, Jiang Dong (Executive Director and President of the Group) was selected by "21st Century Business Herald" as a member of the 7th China Automobile (Finance) 50-member Forum
- In November 2020, the "Innovative Financial Service Enterprise in Respect of the China Automobile Dealers Industry for the Year 2020" selected by China Automobile Dealers Association
- In December 2020, the "Most Satisfactory Finance Leasing Company Rated by Consumers" on the list of satisfactory PRC automobile finance companies for 2020 selected by the China Automobile Dealers Association
- In December 2020, the "Automobile Financial Service Platform of the Year" selected by www.jiemian.com in the 2020 Excellent Finance Award – Excellent Institution Award
- In December 2020, the Best Influential Person in Automobile Finance Award – Jiang Dong (Executive Director and President of Yixin Group) selected by the "PRC Auto Finance and Industry Development Summit Forum"
- In December 2020, "Automobile Finance Industry Achievement Award" selected by the "PRC Auto Finance and Industry Development Summit Forum"

▲Golden Engine Award

▲50 Forum Members

CARING FOR EMPLOYEES

As the Company believes that first-class talents make first-class enterprises, talent recruitment and training are always on the top of our list. The Company is led by a group of talents with diversified and balanced backgrounds. Our corporate culture is to encourage diversity of leadership and talents by developing a well-established recruitment and training system so that all employees are connected and united, thereby improving our efficiency, effectiveness, innovation and execution capabilities, converting into our competitive advantage in key markets and consolidating our leading position among the online automobile transaction platforms.

Employee's employment and rights

The Company is committed to creating a conducive working platform and environment that is fair, diversified and with emphasis on professional ethics for every employee. We are in strict compliance with the "Labor Law of the PRC", the "Labor Contract Law of the PRC" and other relevant laws and regulations to protect the basic rights and interests of every employee. To ensure the institutionalization, standardization and routinization of human resources management, we have formulated and improved internal regulations and systems, such as the "Recruitment Management Measures" and the "Induction Management Measures" so as to ensure smooth implementations of various works.

We mainly carry out recruitment in the form of internal application, online recruitment and staff referral to seek talents who are in line with the philosophy of our Group and meet our future development needs. The Company conducts rigorous examination on the information of the recruits and resolutely does not recruit child labor under the age of 18. This year, the Company implemented automatic identification of the age information on the identity card in the recruitment and induction system, which can automatically screen out those who do not meet the age requirements. The use of child labor under the age of 18, if found in the Company, will be resolved with in accordance with the relevant provisions of the Labour Law of the PRC.

The Company adheres to the principle of mutual respect and fairness, and treat all candidates and employees equally without any discrimination on the basis of gender, race, religion or any other aspects in the recruitment and daily work. The Company regards assisting persons with disabilities to secure employment as our routine work. We set up employee massage areas in the office building and recruit blind masseurs to provide massage services.

Key performance indicators related to employee employment

Year/indicator	2020 Number of employees	Percentage
Total number of employees	3,566	
Number of employees by gender		
Male employees	2,335	65.47%
Female employees	1,231	34.53%
Number of employees by age		
30 years old and below	1,455	40.80%
31-50	2,104	59.00%
Over 50 years old	7	0.20%
Number of employees by region		
Number of employees in East China	1,257	35.25%
Number of employees in South China	253	7.09%
Number of employees in North China	601	16.85%
Number of employees in Central China	466	13.07%
Number of employees in Northeast China	387	10.85%
Number of employees in Southwest China	383	10.74%
Number of employees in Northwest China	219	6.15%
Number of employees by employment category		
Number of full-time contract employees	3,554	99.67%
Number of interns	12	0.33%

Employee benefits and care

To attract talents, the Company offers competitive remuneration and various benefits to our employees pursuant to the "Administrative Measures for Employee Subsidies". All employees of our Group are entitled to meal allowance, transportation allowance, travel allowance, communication allowance, etc. In 2020, the Company set up pantry and telephone booths on each floor of the new office premise, as well as massage rooms, maternity rooms, shower rooms, employee activity rooms, etc. to facilitate dining and office work of employees, improve workplace comfort, and enhance employees' workplace office experience.

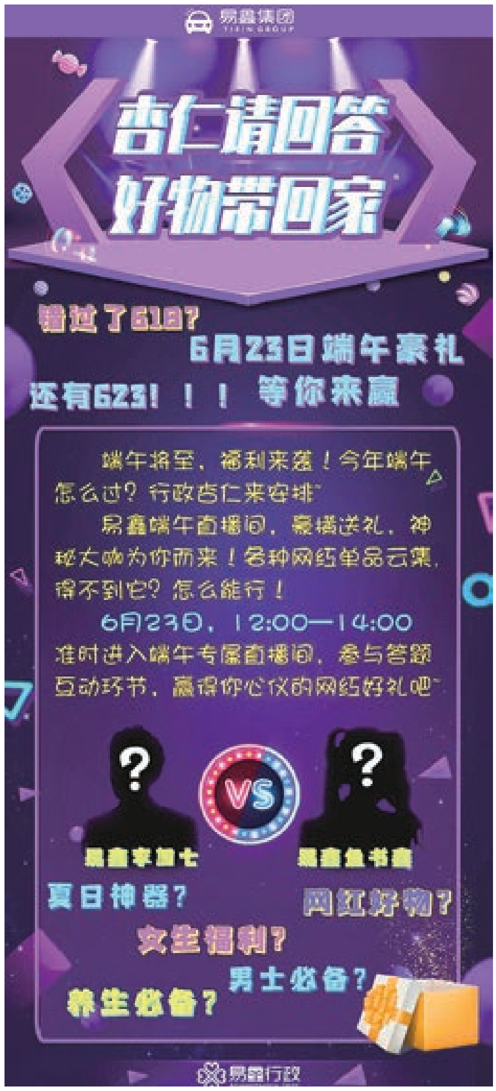
To promote the physical and mental health of employees and enrich their experience in the workplace, the Company has held various innovative leisure, sports, festive and welfare activities, including induction celebrations, badminton and basketball matches, corporate celebration activities, Mid-Autumn Festival sales, Christmas parties and employee birthday parties, bringing more fresh and interesting activities to employees.

▲Employee birthday party

▲Basketball match

▲Badminton match

Affected by the COVID-19 epidemic in 2020, the Dragon Boat Festival event in June was changed from offline to online live broadcast, in which "live streaming promotion" was adopted, allowing employees to win exquisite holiday rewards by answering questions online. This diversified form of activity brings brand-new experience to employees.



▲Online "live streaming promotion" in Dragon Boat Festival

Employee training and development

To encourage employees to work in the pursuit of excellence, innovation, challenge and breakthrough, and in the meanwhile help us achieve business objectives better, the Company has formulated the "Administrative Measures for Transfer" and the "Administrative Measures for Daily Promotion" to standardize the promotion and transfer processes of employees. We have practiced job rotation for certain positions, promoted the reasonable flow of outstanding talents, further explored the potential of the management and key professionals, improved multi-module work capabilities of employees, and provided employees with more methods and opportunities for self-improvement.

In 2020, the Company conducted a full-scale talent review to all employees through the evaluation of work performance, job competency model evaluation and other methods, helping employees to identify their own potential and growth points, and encouraging them to find their own growth path aligned with their individual situations through learning.

To facilitate talent review, the Company develops and applies the talent profile system which presents the review results in the form of competency assessment and 3x2 style talent distribution, with the records on the previous learning courses, career development track, rewards and penalties and job changes updated in real time. The talent profile of employees during their employment is comprehensively output, providing references for the employees' development.

▲Promotion of talent review activity

▲Output of talent profile

The employee training system of the Company focuses on "application skills" and "experiences of employees". The training program is designed based on various aspects including job duties, career development, expectation of leaders, learning approaches, training objectives and practices, and a variety of innovative online and offline methods are used to improve training effects, aiming to facilitate our employees to participate and gain different experiences throughout the whole training process.

The Company has built an online learning platform "Yixin University", which is open to all employees and integrates 4,201 online courses, including videos, PPT, images, texts and other learning resources. During the COVID-19 epidemic, the Company relied on online platforms such as Yixin University to carry out epidemic prevention courses, popularize scientific knowledge of epidemic prevention and control, and guide employees to improve their self-protection awareness. With the help of Yixin University, employees acquire specific skill set and keep motivated to learn by rewards redemption with the training time recorded in the talent profile.

▲Epidemic Prevention Propaganda of Yixin University

Case: Yixin Guinness

To guide the Company's employees to move forward together, we continued to carry out the "Yixin Guinness" selection activities, hold the "stay till the end" quiz contest, and conduct various communication meetings to put the spirit of Yixin "striking for the best" into action. In 2020, there were a total of 71 participants in the selection, and 49 projects were submitted, and prizes such as commemorative shirts and badges were distributed.

▲The pros of application for Yixin Guinness Program

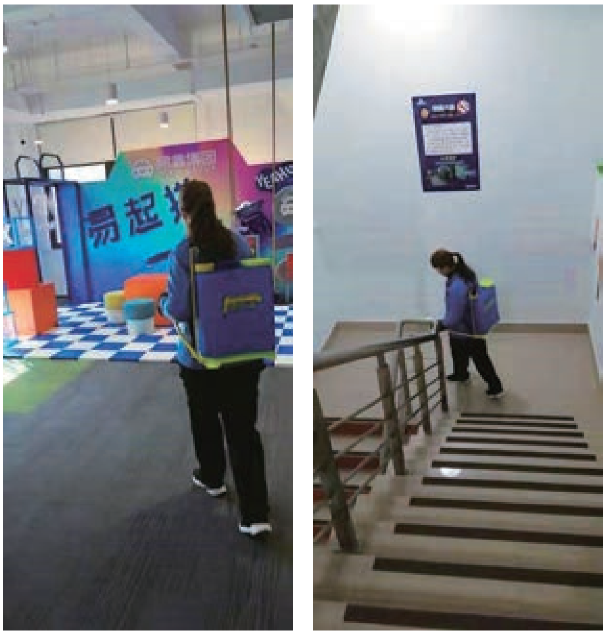
Key performance indicators related to employee training

year/indicator	2020 Number of people	Percentage
Total number of trained employees (person)	3,379	
Number of trained employees by gender		
Male employees	2,241	66.3%
Female employees	1,138	33.7%
Number of trained employees by rank		
Senior management	16	0.47%
Mid-level managers	50	1.48%
Entry level employees	3,313	98.05%
Average training time of employees (hours/person)	22.11	
Training hours of employees by gender		
Male employees	23.97	
Female employees	18.36	
Training time of employees by rank		
Senior management	0.50	
Mid-level managers	8.83	
Entry level employees	22.40	

Health and safety of employees

The health and safety of employees are the foundation of our operation. We strictly abide by the "Labor Law of the PRC" and the "Regulations on Work-related Injury Insurances", providing employees with corresponding protection of health and safety. The Company provides onboard medical examinations for all new employees and offer regular clinical examinations on an annual basis to all of our in-service 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. During the COVID-19 epidemic, the Company cooperated with insurance service providers to provide employees with benefits such as the purchase of epidemic prevention insurance products at preferential prices. The Company had zero cases of work-related injuries or work-related fatalities during the year.

During the COVID-19 epidemic, to ensure the safety of employees, the Company strengthened indoor disinfection and cleaning in daily operations, posted epidemic prevention posters, regularly released the latest announcements on epidemic situation, and regularly assigned antiseptics, hand sanitizers and other epidemic prevention materials. To enhance and ensure workplace safety, an online visitor reservation system has been installed at Yixin Building to strictly control external visitors; the Company implemented crowd control in lifts, and installed infrared temperature detectors at the entrance of the building to monitor the temperature of people accessing the building in real time. In addition, the Company implemented a flexible check-in mechanism which enables mobile check-in to prevent gathering at the check-in area and allow flexible working options for employees including staggered hours, effectively reducing the proportion of employees gathering.



▲Daily disinfection in the Company

▲Announcement on collection of epidemic prevention materials

GREEN OPERATION

As a company focusing on internet business, the Group mainly impacts the environment through consumption of water, power and office paper in our daily operation. In order to establish a green office, the Company has actively promoted the concepts of energy conservation, consumption reduction and lower carbon emission. The Company has strictly complied with applicable environmental protection laws and regulations such as the “Environmental Protection Law of the PRC” and the “Energy Conservation Law of the PRC”, and actively implemented an energy-saving and environmental-friendly system to integrate the philosophy of low carbon emission and environmental protection into the operation and management process of the Company. Employees are encouraged to develop eco-friendly habits to save resources and minimize pollution to the maximum extent.

Green office

To achieve energy-saving and low-carbon operations, the Company has formulated management systems such as the "Office Power Usage Management System" and the "Administrative Measures for Yixin Building" to systematically save energy in respect of the management of office paper and conservation of electricity and water, and carry out a variety of energy-saving and emission-reduction tasks so as to operate green office.

To enhance the management of office paper and employees' awareness of saving, the Company connects the printer with staff cards in such a way that employees are requested to log in when printing, and encourages employees to reuse papers. To achieve effective control of energy consumption, the Company changes the normal lights to induction lights in office building, and assigns specific personnel to manage and inspect the office power consumption, who shall turn off electrical appliances in the office areas that are not in use, and keep the temperature of the air conditioning in the office from falling below 26℃ in summer or exceeding 22℃ in winter. In terms of water saving, the Company posted publicity signs in the office, such as reminding employees to turn off the faucets in time to prevent the waste of running water, so as to cultivate the awareness of water saving for all employees.

Our Shanghai office strictly complies with the local waste classification management system, setting up waste classification bins on each floor, and assigning dedicated cleaning staff to supervise employees to classify waste. At present, waste classification management has been fully implemented to achieve complete separation of dry and wet waste. Offices other than that in Shanghai has set a goal of 100% waste recycling by a third party, and strictly implements waste recycling.

The Company actively promotes the concept of green travel and encourages our employees to use public transportation in order to gradually scale down the reliance on corporate vehicles. The Company strictly adheres to the "Corporate Vehicle Usage Management System of Yixin Group" which specifies the application and approval procedures, audit of expenses and upper limits. We have installed GPS systems on all corporate vehicles to keep track of their daily usage. It also provides traffic guidance for vehicles to reduce fuel consumption.

Responding to climate change

Global climate change not only causes various extreme weather phenomena, but also seriously affects various economic and social activities. The Company actively responds to the demands of climate change from the government, investors and other stakeholders. In 2020, we made reference to the suggestions from the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), identified climate-related risks and opportunities, continuously improved risk management based on the identification results, and formulated relevant counter-measures in low-carbon operations, response to climate change and natural disasters, and supporting for the development of clean sources.

Climate Change Management System – Four core elements of TCFD's recommendations

Governance	An ESG Committee is set up under the Board and chaired by the chairman, which is responsible for reviewing and supervising the ESG policies (including responding to climate change) of the Group and formulating response strategies; An ESG Working Group is set up under the ESG Committee, which is responsible for implementing the ESG related work of the Group.
Strategy	Analyze the risks and opportunities brought about by climate change in combining of climate change scenarios, and assess the impact thereof.
Risk management	Identify the risks and opportunities related to climate change, as well as counter-measures with reference to domestic and international climate change information and TCFD's risk analysis framework.
Indicator and goal	1) Take low-carbon measures in daily office activities, promote paperless office, install energy-saving lighting products, and strictly control the use of air conditioners based on the changes in room temperature; 2) Disclose data such as greenhouse gas emissions and energy consumption in the ESG report every year, conduct continuous monitoring, and formulate improvement plans as needed.

Climate change risk management

To better respond to potential risks and opportunities of climate change, the Company conducts policy research, peer benchmarking, takes into account the expert opinions, and refers to domestic and foreign climate change information and TCFD's risk analysis framework to identify risks and opportunities related to climate change in its own operations, assess the impact of various risks and opportunities on its finances, and take reasonable counter-measures.

Climate change risks, potential financial impacts and counter-measures

Types	Description of risks	Potential financial impact	Counter-measures
Transformation risk	Reputational risk: Stakeholders expect the Company to take active management actions in response to climate action and improve the transparency of information disclosure. If the Company fails to respond well to these demands, it may have an impact on its reputation.	– Decrease in operating income – Increase in staff recruitment and retention costs	– Take responses to climate change as a key issue and communicate with stakeholders through ESG reports and other channels – Pay attention to market atmosphere and public opinions
	Policy and regulatory risks: The government has rolled out policies and regulations to regulate climate change, such as greenhouse gas emission charges, and enhanced emission reporting obligations.	– Increase in operating and compliance costs – Increase in costs as a result of possible fines and judgments	– Pay attention to the latest developments in domestic and foreign policies and regulations, and deploy internal resources to respond to changes promptly – Actively maintain contact with local governments
	Market risk: Changes in consumer behavior in the market, such as increased demand for new energy vehicles. If the Company fails to provide corresponding products/ services in time, the demand from customers will be reduced.	– Loss of customers, thus reducing operating income	– Promote business innovation and timely launch products that meet market needs to attract and retain customers

Types	Description of risks	Potential financial impact	Counter-measures
Physical risk	Acute risk: Extreme weather events caused by climate change, such as typhoons, earthquakes, and tsunamis, which affect offline operations, employee safety, and asset safety.	– Assets of vehicle in the corporate warehouse may depreciate due to extreme weather.	– In response to extreme weather such as high temperature and typhoon, announcements are sent to all employees to remind them to pay attention to travel safety
	Chronic risks: – Extreme changes in precipitation and climate patterns – Global warming – Rise in sea level, etc.	– Increase in energy consumption brought about from fighting against global climate change, such as the use of power for air-conditioning, causing an increase in operating costs	– Extreme climate change should be considered in reconstruction or renovation of office buildings in the future – Requesting the cooperative warehouse to purchase property insurance – Monitoring extreme weather and promptly notifying the Company's warehouse management and cooperative warehouse management personnel to take preventive measures

Climate change opportunities, potential financial impacts and counter-measures

Types	Description of opportunities	Potential financial impact	Counter-measures
Resource efficiency	Improve the efficiency of resource use and reduce the use of resources, including power, fuel oil and water resources, etc.	Reduce operating costs	– Continuously monitor the use of various resources and take timely improvement measures to reduce greenhouse gas emissions – Formulate the "Administrative Measures for Buildings", requiring that electrical appliances be turned off when not in use to reduce energy consumption
Energy source	Increase the use of low-emission equipment in operational activities.	Reduce the risk of rising energy prices, thus reducing operating costs	Use a full heat exchange fresh air system in the office building to recycle part of the heat energy and reduce energy consumption
Market/Products and services	The state and the government have introduced preferential subsidy policies for new energy vehicles, infrastructure construction measures, etc., which are conducive to the development of the new energy vehicle industry, and the demand for finance leasing of new energy vehicles will also increase.	Increase in operating income	– Promote business innovation and timely launch products that meet market needs to attract and retain customers – Formulate risk control and credit policies for new energy vehicle finance lease applications

Environmental performance table

Emissions

Indicators	2020
Total greenhouse gas emissions (Scope 1 and 2) (tonnes)	893.86
Per capita greenhouse gas emissions (tonnes/person)	0.26
Direct emissions (Scope 1) (tonnes)	89.19
Corporate vehicle fuel consumption	89.19
Indirect emissions (Scope 2) (tonnes)	804.67
Purchased Electricity	804.67
Total nitrogen oxides (NO_x) emitted from motor vehicles (kg)	11.31
Total sulphur dioxide (SO_2) emitted from motor vehicles (kg)	0.61
Hazardous wastes (tonnes)	0.00
Per capita non-hazardous wastes (tonnes/person)	0.00
Non-hazardous wastes (tonnes)	265.46
Per capita non-hazardous wastes (tonnes/person)	0.078

Notes:

1 Due to its business nature, the gas emission of the Group mainly consists of greenhouse gas derived from the use of electricity and fuels converted from fossil fuels.

2 The greenhouse gas inventories include 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 2019 Baseline Emission Factors of Regional Power Grids for Emission Reduction Project in China issued by the Ministry of Ecology and Environment of China, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 revision) issued by the Intergovernmental Panel on Climate Change (IPCC).

3 The types of hazardous wastes involved in the operation of the Group mainly 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 2020. Since the warranty of lead-acid batteries remained valid, there was no waste lead-acid battery in 2020.

4 The types of harmless wastes involved in the operation of the Group include domestic wastes, waste A4 papers 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 issued by the State Council. There was no waste electronic equipment in 2020.

5 The nature of the Group's operations does not involve the usage of packaging materials.

Energy and resources consumption

Indicators	2020
Total energy consumption (MWh)	1,704.23
Energy consumption per square meter of gross floor area (MWh/square meter)	0.07
Per capita energy consumption (MWh/person)	0.50
Direct energy consumption (MWh)	364.35
Corporate vehicle fuel consumption	364.35
Indirect energy consumption (MWh)	1,339.88
Purchased Electricity	1,339.88
Water consumption (tonnes)	24,000
Per capita water consumption (tonnes/person)	7.09

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), a national standard.

2 The data for purchased electricity covers offices in Shanghai, Beijing, Shenzhen, Dalian, Changsha, Urumqi, Shijiazhuang, Changchun, Nanjing, Hohhot, Xi'an, Ningbo, Tianjin, Shenyang, Taiyuan, Wuxi, Xining, Qingdao, Zhengzhou, Suzhou, Jinan, Yinchuan, Chongqing, Kunming, Harbin, Yuncheng, Chengdu, Ganzhou, Fuyang, Mianyang, Lanzhou, Guiyang, Zhumadian, Hefei, Wuhan, Nanchang, Fuzhou, Xiamen, Nanning, Guangzhou, Haikou, Baoding, Luoyang, Shaoyang, Yichang, Zunyi, Dali and Dongguan. The offices in other areas have not been included in the statistics due to their insignificant scale, but may be included based on actual circumstances in the future. Electricity expenses of the data centers of the Group are included in the custody fees, so power consumption of data 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 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 estimate of water consumption is based on the sit-in mechanism for office premises set out in Code for Design of Building Water Supply and Drainage (GB 50015-2019), a national standard.

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

SUPPLY CHAIN MANAGEMENT

Supply chain management is an important part of maintaining sustainable operation of the Group. The Company strictly abides by the "Anti-Unfair Competition Law of the PRC" and other relevant laws and regulations, has formulated the "Supplier Management Regulations", the "Administrative Measures for Procurement" and other relevant rules and systems, actively implemented the sunshine procurement, optimized evaluation management of suppliers, and improved our supply system. The Company also actively promotes the concept of environmentally friendly procurement and continues to optimize procurement strategies and plans.

Supplier management

The Company attaches great importance to the environmental and social risks of suppliers in the course of procurement management. To this end, we have formulated rules and systems such as the "Sunshine Procurement Code for Suppliers of Yixin Group" and the "Supplier Management Regulations". We further refined the contents of the "Supplier Management Regulations" this year to enhance the daily management and quality assessment of suppliers so as to ensure the objectivity, impartiality and scientificity of selection, engagement, evaluation and replacement of suppliers, and promoted suppliers to enter into integrity agreements to ensure that the quality and delivery of products and services meet the requirements of the Company.

In terms of suppliers selection, we require suppliers to provide relevant professional qualifications to ensure that there are no major lawsuits or disputes against the supplier, and that it has not been subject to administrative penalties for integrity issues. For major suppliers, we will conduct periodic evaluations on biannual basis, and cooperation with suppliers with a score below 60 points for two consecutive evaluations will be suspended for the next year. In 2020, the Company has formulated a detailed evaluation form for suppliers of materials in 5 categories and 28 sub-categories based on the purchased materials, in which the scoring standards include business evaluation, quality evaluation, material authenticity, quality, timeliness evaluation, value-added services, service attitude, etc. so as to fully refine and implement supplier evaluation.

Environmentally friendly procurement

The Company has always upheld the concept of environmentally friendly procurement during the procurement process and used second-hand furniture. At the end of 2019, the Company moved into a new office building. In addition to the existing office furniture, all newly obtained office furniture was second-hand (68 workstations, 174 desks, file cabinets and other furniture), fully reflecting the principle of repeated and efficient use of resources in the procurement process. This not only saves resources, but also saves procurement costs and shortens the time for delivery of furniture, which improves the procurement efficiency of the Company.

▲Environmental friendly procurement in new office building

Sunshine procurement

With a view to further regulating the behaviors of suppliers, the Company continues to promote the sunshine procurement, and carry out relevant training for personnel in the procurement department. During the procurement process, the Company requires all suppliers selected through tenders to sign the "Sunshine Procurement Code for Suppliers of Yixin Group" before making purchases, and the supervision department of the Company will supervise the entire procurement process in accordance with relevant systems, and include the reporting email address, prohibited items, etc. in the sunshine procurement agreement to list out the reporting channels to the suppliers, so as to prevent violations of laws and regulations.

To achieve further visualization of procurement data, the Company built an overall procurement system "E-Procurement System" in 2020, including full-chain approval, procurement application, procurement budget, quotation approval, system ordering, reporting, etc., to achieve seamless connection of the procurement system and the financial system. In addition, the procurement department of the Company cooperated with the IT department to introduce the "Sunshine Procurement" data report template that is open to the senior management of the Company to specify the particulars of the purchase amount, purchasing quantity, source of suppliers and saving amount of each department, which are used as reference for decision-making.

INTEGRITY

Yixin Group is committed to creating a work environment which embraces honesty, progressivism and integrity. It strictly abides by the "Anti-Unfair Competition Law of the PRC", the "Anti-money Laundering Law of the PRC" and other relevant national laws and regulations to ensure the healthy development of its business.

Anti-corruption

To enhance the management of incorruptibility, the Company strives to improve its internal and external monitoring mechanism, and actively promotes the anti-corruption education to create an atmosphere of honesty.

To regulate and enhance the disciplinary inspection, petitioning and reporting, the Company ensures the availability of reporting channels via emails, telephones, WeChat, etc., accepts complaints and reports, and strictly keeps confidentiality for whistleblowers, to pragmatically promote anti-fraud work. The Company seriously investigates and deals with violations and irregularities of employees based on the reported information and clues found during inspections, designates special teams to conduct inspections and investigations at various branches who write inspection summary reports, and make improvements and suggestions on the vulnerabilities and risks found.

The Company actively promotes anti-corruption culture through special training, Yixin University, WeChat official account, etc., organizes anti-corruption culture lectures for internal employees, and carried out 8 new employee integrity trainings in the first half of 2020, with a total of 202 participants. By promoting laws and regulations and typical cases, the employees' anti-corruption education coverage reaches 100%, which effectively enhances the employees' awareness of leveraging the knowledge in their work, and enhances the awareness and capability of employees to prevent economic crimes and crimes in performance of duties. In 2020, no corruption lawsuits were filed against the Company or its employees.

Case: joining the China Enterprise Anti-Fraud Alliance

Yixin Group joined the China Enterprise Anti-Fraud Alliance in 2017. The Alliance is jointly sponsored by benchmarking companies in various industries in China, Guangdong Enterprise Institute for Internal Controls, Research Center for Internal Control of Enterprises and Non-profit Organizations of Sun Yat-Sen University and other organizations, in which nearly 250 companies are incorporated. The Alliance implements a staff integrity record system. In the case that the staff is confirmed by allied members to have dishonest practices such as offering and taking bribery, embezzlement, selling trade secret of the company and abuse of power for personal gains, which resulted in the termination of labor contracts and internal open investigation, he/she shall be included in the list of dishonest staff. Alliance member will refuse to recruit such dishonest staff, so as to realize our strict control over the integrity of recruits.

Anti-money laundering

Yixin Group stresses the importance of anti-money laundering management and strictly abides by relevant laws, regulations and requirements of the regulatory authorities such as the "Anti-money Laundering Law of the PRC" and the "Guidelines on Promoting the Healthy Development of Internet Finance Industry". The Company has adopted preventive and monitoring measures, such as formulation of rules and systems in relation to customer identification and filing of data of customers and transaction records. We constantly improve the identification procedure of customers, maintain regular monitoring and report suspected transactions in order to perform our responsibilities of anti-money laundering effectively.

Community investment

The Company knows that the development of an enterprise should not only create benefits for itself and its shareholders, but should also take an active role in assuming social responsibility. In 2020, in the context of the COVID-19 epidemic, the Company actively responded to the call of the country and fully cooperated with the community and police station in prevention of the epidemic. In addition, the Company carried out charitable donation activities, participated in activities such as cloud funding for guide dog adoption, to actively give back to the society.

Case: assistance of community prevention and control during the COVID-19 epidemic

After the outbreak of the epidemic in 2020, the Company has actively cooperated with the communities, police stations and other grassroots-level organizations to curb the spread of the epidemic while adopting proper preventive measures. The Company paid a visit to Changning Lingkong Police Station and donated disposable medical masks, antiseptics and other prevention and control materials to grassroots policemen in the forefront, in an effort to aid the prevention and control of the epidemic.

▲Epidemic prevention and control materials donation

Case: cloud funding for guide dog adoption

The Company actively carries out assistance work for vulnerable groups. In August 2020, the Company participated in the guide dog adoption and cloud funding activities by making donations, and donated a total of 8 guide dogs which were under training. The Company bore the expenses for the daily food supplement, physical examination, medical treatment, study and training of the guide dogs until the 8 guide dogs passed the graduation assessment and were on duty. Our administrative department would regularly organize employees of the Company to visit the sponsored guide dogs, and take practical actions to care for the blind.

▲Post of Cloud Funding for Guide Dog Adoption

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 117 to 221, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 31 December 2020, 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.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 summarised as follows:

- Provision for expected credit losses of finance receivables
- Valuation of financial assets at fair value through profit or loss

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for expected credit losses of finance receivables Refer to note 4.1(a), note 7, and note 18 of the consolidated financial statements. As at 31 December 2020, the balance of finance receivables amounted to RMB12,771,860,000, after a provision for expected credit losses of RMB500,560,000. For the year ended 31 December 2020, the provision for expected credit losses of finance receivables recorded in the consolidated income statement amounted to RMB1,616,079,000. The balance of provision for expected credit losses of finance receivables represents management's best estimate at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") model. The Group assesses whether the expected credit risk of finance receivables has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL.	*Our procedures in relation to the provision for expected credit losses of finance receivables included:* **Understanding and evaluating management's assessment process and controls** • We obtained an understanding of the management's internal control and assessment process relating to management's ECL model, significant assumptions and major data inputs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty; • We tested IT controls over the information systems which are used to maintain the completeness and accuracy of related contractual information with each customer; • We evaluated the outcome of the prior year assessment of ECL model to assess the effectiveness of management's estimation process. **Substantive testing of the provision for expected credit losses** • We involved our internal modelling specialist and reviewed the modelling methodologies used for measuring the ECL measurement, and assessed the reasonableness of model selection, key parameters estimation, significant judgments and assumptions in relation to the model. We examined the coding for model measurement, to test whether or not the measurement model reflected the modelling methodologies documented by management; • We verified the financial information and non-financial information of the finance receivables, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired receivables;

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
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The measurement model for expected credit losses involves significant management judgments and assumptions, primarily for the following:

• Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

• Economic indicators for forward-looking measurements, and the application of economic scenarios and weightings;

• Estimated future cash flows for defaulted and credit-impaired finance receivables.

For measuring expected credit losses, the Group adopted a complex model, employed numerous parameters and data inputs, and applied significant management judgments and assumptions with a high degree of estimation uncertainty. The inherent risk in relation to the provision for ECL of finance receivables is considered significant due to the complexity of the model and subjectivity of significant assumptions and major data inputs. In addition, the finance receivables and provisions accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.
</td><td>
• For forward-looking measurements, we reviewed management's model analysis of their selection of economic indicators, economic scenarios and weightings, and assessed the reasonableness of the prediction of economic indicators, the application of economic scenarios and the setting of weightings;

• We examined on a sample basis the major data inputs to the ECL model to assess their accuracy and completeness. We verified the transmission of major data inputs between the model's measurement engines and the information systems, to verify their accuracy and completeness;

• We examined on a sample basis the assumptions used by management to determine expected cash flows for defaulted and credit-impaired finance receivables, based on financial information of latest collateral valuations and other available information in supporting the computation of provisions;

• We utilized IT audit techniques to assess the accuracy of the provision for expected credit losses of finance receivables made by management;

• We assessed the adequacy of the disclosures related to ECL in the context of the applicable financial reporting framework.

Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for finance receivables, we considered the model, key parameters, significant judgment and assumptions adopted by management and the measurement results were supportable by the evidence obtained and procedures performed.
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Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets at fair value through profit or loss Refer to note 4.1 (c) and note 16 of the consolidated financial statements. The Group has invested in certain financial assets at fair value through profit or loss with fair value of RMB2,568,860,000 as at 31 December 2020. These investments were all measured at fair value using level 3 inputs which were not based on active market prices, nor based on observable market data.	*Our procedures in relation to the determination of fair value of financial assets at fair value through profit or loss included:* **Understanding and evaluating management's assessment process and controls** • We understood and evaluated the internal controls relating to management's model used, development of significant assumptions and major data inputs and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty. **Substantive testing of valuation of financial assets at fair value through profit or loss** • We obtained management's calculation sheets of fair value estimation of financial assets at fair value through profit or loss, evaluated the appropriateness of the model used and tested the accuracy of the calculation sheets; • We evaluated the independent external appraisal firm's competence, capability and objectivity; • We involved our internal valuation specialist and assessed the appropriateness of the methodologies and key assumptions adopted by management including expected revenue growth rates, expected profit margins, discount rates and volatility. We compared the input data of expected revenue growth rates and expected profit margins in the calculation sheet with management's forecast of future profits, strategic plans and business data;

Key Audit Matter	How our audit addressed the Key Audit Matter
Management assessed and measured the fair value of financial assets at fair value through profit or loss using particular valuation techniques, with assistance from an external appraisal firm. The valuation process was highly judgmental due to its reliance on management's assumptions such as discount rate, volatility and probability weighting, liquidation and redemption scenarios, etc. The determination of the model adopted and key inputs required management's significant judgment or estimation. The prescribed value of the financial assets at fair value through profit or loss is significant to the financial statements. In view of this we have identified this as a key audit matter.	• We compared the volatility and discounted rate with comparable companies in the open market to assess the reasonableness of the input data used; • We challenged management regarding its approach for determining the probability weighting, liquidation and redemption scenarios, including assessing and analysing the weightings based on our understanding of the investees' business and market condition. Based on the procedures performed, we considered the judgments and estimates made by the Group for the determination of fair value of the financial assets at fair value through profit or loss and the valuation results were supported by the evidence we obtained.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE 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 is 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, actions taken to eliminate threats or safeguards applied.

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, 24 March 2021

CONSOLIDATED INCOME STATEMENT

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

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

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

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

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 117 to 221 were approved by the Board of Directors on 24 March 2021 and were signed on its behalf.

Andy Xuan Zhang
Director

Dong Jiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	**12,287,200**	11,620,309
Income tax paid		**(35,600)**	(123,657)
Net cash from operating activities		**12,251,600**	11,496,652
Cash flows from investing activities			
Interest received		**43,679**	91,953
Proceeds from disposal of property and equipment and intangible assets		**4,159**	918
Purchase of property and equipment and other non-current assets		**(19,119)**	(496,422)
Purchase of intangible assets		**(2,523)**	(6,666)
Loans to a related party		**(50,000)**	(22,000)
Loans to third parties		**(213,900)**	(283,929)
Repayment of loans from third parties		**156,000**	353,006
Repayment of loans from a related party		**50,000**	–
Investments in financial assets at fair value through profit or loss	16	**(160,298)**	(422,318)
Prepayment for an investment	20	**–**	(400,000)
Investment in an associate		**(75,000)**	–
Acquisition of a subsidiary, net of cash acquired		**(2,730)**	(7,500)
Placements of restricted cash		**(1,881,471)**	(4,761,739)
Maturity of restricted cash		**1,955,630**	7,088,077
Net cash (used in)/from investing activities		**(195,573)**	1,133,380
Cash flows from financing activities			
Proceeds from borrowings		**10,004,541**	24,039,867
Repayment of borrowings		**(19,743,229)**	(34,598,344)
Release of deposits for borrowings		**253,561**	92,511
Proceeds of loans from Bitauto Group	32(f)	**300,000**	300,000
Repayment of loans from Bitauto Group	32(f)	**(600,000)**	(1,144,406)
Principal elements of lease payments		**(8,904)**	(32,488)
Proceeds from exercise of share options		**29**	32
Purchase of restricted shares under share award scheme		**(6,351)**	(2,581)
Interest paid		**(1,135,668)**	(1,821,090)
Net cash used in financing activities		**(10,936,021)**	(13,166,499)
Net increase/(decrease) in cash and cash equivalents		**1,120,006**	(536,467)
Cash and cash equivalents at beginning of year		**1,586,817**	2,116,197
Exchange gains on cash and cash equivalents		**4,735**	7,087
Cash and cash equivalents at end of year		**2,711,558**	1,586,817

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Yixin Group Limited (the "Company") was incorporated in the Cayman Islands on 19 November 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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited since 16 November 2017.

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

Pursuant to the Voting Proxy Agreement entered into between Bitauto Holdings Limited ("Bitauto" collectively with its subsidiaries, the "Bitauto Group") and Tencent Holdings Limited ("Tencent" collectively with its subsidiaries, the "Tencent Group") on 15 November 2019, Tencent granted to Bitauto a voting proxy representing approximately 10% of the then issued share capital of the Company, enabling Bitauto to exercise in excess of 50% of the voting rights in the Company. Upon the termination of the Voting Proxy Agreement with effect from 4 November 2020, Bitauto no longer had statutory control over the Company. As at the date of these consolidated financial statements, there is no ultimate parent of the Company. The Tencent Group is the largest shareholder of the Company (Note 32).

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) New and amended standards adopted by the Group

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and interpretations not yet adopted

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Subsidiaries controlled through Contractual Agreements

The wholly-owned subsidiary of the Company, Tianjin Kars Information Technology Co., Ltd. ("Tianjin Kars"), has entered into the Contractual Agreements, including Exclusive Business Cooperation Agreement, Exclusive Option Agreements, Equity Pledge Agreements, and Powers of Attorney, with Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司, "Beijing Yixin") and its equity holders, which enable Tianjin Kars and the Group to:

- govern the financial and operating policies of Beijing Yixin;
- exercise equity holders' voting rights of Beijing Yixin;
- receive substantially all of the economic interest returns generated by Beijing Yixin in consideration for the business support, technical and consulting services provided by Tianjin Kars;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Yixin from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Tianjin Kars may exercise such options at any time until it has acquired all equity interests of Beijing Yixin; and
- obtain a pledge over the entire equity interests of Beijing Yixin from its respective equity holders as collateral security for all of Beijing Yixin's payments due to Tianjin Kars and to secure performance of Beijing Yixin's obligation under the Contractual Arrangements.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Business combinations

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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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.

2.2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

(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.

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 (losses)/profits of an investment accounted for using the equity method" in the consolidated income statement.

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

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

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

Investments in associates in the form of ordinary shares with preferential rights or redeemable convertible preferred shares are accounted for as hybrid financial instruments and measured as financial assets at fair value through profit or loss (Note 2.9 and 16).

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 Executive Officer of the Group has been identified as the chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments.

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, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other income and other gains, net".

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

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.

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:

– Buildings	40 years
– 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property and equipment (continued)

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 income and 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(c) *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.

(d) *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.

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 31 December 2020 (2019: nil).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(e) Business Cooperation Agreements

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 of the Group. Under the Reorganizations, the Group acquired the 2015 Traffic Support Services, 2017 Traffic Support Services, Non-compete Undertakings, and Automobile Model Database (collectively referred to as the "Business Cooperation Agreements"), which were recognized as intangible assets at fair value at the date of acquisition. The directly attributable transaction costs to acquire the assets were included in the costs of the intangible assets.

For the traffic support agreement acquired upon the completion of 2015 Reorganization, it was fully amortised by 31 December 2018 as the amortization was provided using the straight-line amortization method over 3 years according to the contract term. 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.

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.

The amortization charges are included in the "Selling and marketing expenses" of the consolidated income statements.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

(b) *Recognition and derecognition*

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

(c) *Measurement*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

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

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

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Other income and other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income and other gains, net" and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other income and other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(c) Measurement (continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in "Other income and other gains, net" in the consolidated income statement as applicable.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its finance receivables and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The risk assurance liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2.15 Trade payables

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

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

2.16 Borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowing costs

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

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

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

(c) Offsetting

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

2.19 Employee benefits

(a) Pension obligations

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

The Company does not operate any other defined contribution schemes, and as such, there is no forfeited contributions, nor does the Company employ any actuary for defined benefit plans.

(b) Employee leave entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates the Pre-IPO Share Option and Share Award Schemes (defined in Note 24), under which it receives services from employees and non-employees as consideration for share options and restricted shares units (collectively referred to as "Share Awards") of the Company. The fair value of the services received in exchange for the grant of the Share Awards is recognized as an expense on the consolidated income statement.

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

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

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

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

(b) Share-based payment transactions among group entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

(a) Transaction Platform Business

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

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

The Group recognizes revenue from the provision of guarantees. The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee is initially recognised as deferred income, which is included in "Other payables and accruals" on the Group's consolidated balance sheet, and is amortised to profit or loss over the term of the guarantee as guarantee service income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) Transaction Platform Business (continued)

The Group provides after-market services to car buyers which includes insurance facilitation services. After-market insurance facilitation services mainly involve facilitating vehicle replacement service binding to related liability insurance provided by insurance companies. After-market service revenue is recognized at the point of time the insurance facilitation services are performed.

Financing components

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

(b) Self-operated Financing Business

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Dividend income

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

2.24 Government grants

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

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

2.25 Leases

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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)/profit for the years ended 31 December 2020 and 2019 would have been approximately RMB240,000 lower/higher and RMB424,000 higher/lower, respectively, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in US$.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Group's borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's (loss)/profit for the years ended 31 December 2020 and 2019 would have been approximately RMB16,823,000 higher/lower and RMB37,831,000 lower/higher, respectively.

(b) Credit risk

(i) Risk management

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

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

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

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

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

(ii) Expected credit loss measurement

Models

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage I'.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage II'. The Group considers a financial instrument to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage III'. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, if the borrower is more than 90 days past due on its contractual payments.

- Financial instruments in Stage I have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage II or III have their ECL measured based on ECL on a lifetime basis.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Models (continued)

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

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

Significant increase in credit risk (SICR)

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

Definition of default and credit-impaired assets

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Measuring ECL-Explanation of inputs, assumptions and estimation techniques

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Forward-looking information incorporated in the ECL models

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

Maximum exposure to credit risk-Financial instruments subject to impairment

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

Maximum exposure to credit risk of the Group
As at 31 December 2020

	Stage I 12 months expected credit loss RMB'000	Stage II Expected credit loss since purchased RMB'000	Stage III Expected credit loss since purchased RMB'000	Simplified Approach Expected credit loss since purchased RMB'000	Total RMB'000
Finance receivables	12,347,806	437,800	486,814	–	13,272,420
Trade receivables	–	–	–	1,390,345	1,390,345
Other receivables	–	1,372,023	211,537	469,130	2,052,690
Gross balance	12,347,806	1,809,823	698,311	1,859,475	16,715,455
Allowance for impairment losses	(167,519)	(169,346)	(241,446)	(128,375)	(706,686)
Net balance	12,180,287	1,640,477	456,905	1,731,100	16,008,769
Off balance-sheet items	17,816,726	669,428	–	–	18,486,154
Risk assurance liabilities	(229,043)	(48,414)	–	–	(277,457)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Maximum exposure to credit risk-Financial instruments subject to impairment (continued)

	Maximum exposure to credit risk of the Group As at 31 December 2019				
	Stage I	Stage II	Stage III	Simplified Approach	Total
	12 months expected credit loss	Expected credit loss since purchased	Expected credit loss since purchased	Expected credit loss since purchased	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance receivables	25,912,302	1,000,376	671,198	–	27,583,876
Trade receivables	–	–	–	1,153,611	1,153,611
Other receivables	–	1,274,758	69,186	373,711	1,717,655
Gross balance	25,912,302	2,275,134	740,384	1,527,322	30,455,142
Allowance for impairment losses	(175,605)	(271,190)	(284,171)	(97,398)	(828,364)
Net balance	25,736,697	2,003,944	456,213	1,429,924	29,626,778
Off balance-sheet items	6,348,216	25,861	–	–	6,374,077
Risk assurance liabilities	(60,343)	(5,250)	–	–	(65,593)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Finance receivables

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

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

31 December 2020	**Stage I RMB'000**	**Stage II RMB'000**	**Stage III RMB'000**	**Total RMB'000**
Expected loss rate	**1.36%**	**30.09%**	**41.35%**	**3.77%**
Gross carrying amount (Note 18)	**12,347,806**	**437,800**	**486,814**	**13,272,420**
Provision for expected credit losses	**167,519**	**131,744**	**201,297**	**500,560**

31 December 2019	Stage I RMB'000	Stage II RMB'000	Stage III RMB'000	Total RMB'000
Expected loss rate	0.68%	23.35%	40.31%	2.46%
Gross carrying amount (Note 18)	25,912,302	1,000,376	671,198	27,583,876
Provision for expected credit losses	175,605	233,587	270,535	679,727

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Finance receivables (continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Finance receivables (continued)

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Trade receivables and other receivables

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

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

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

Off balance-sheet items

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

Under the guarantee agreement with Chetaotao (Ningbo) E-commerce Co., Ltd. ("Chetaotao"), Xinche Investment (Shanghai) Co., Ltd. ("Xinche"), an indirectly wholly-owned subsidiary of the Company, is required to pay the redemption price on behalf of Chetaotao upon certain events. As of 31 December 2020, the total outstanding redemption price under the guarantee agreement was RMB605 million (2019: nil).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Expected credit loss measurement (continued)

Off balance-sheet items (continued)

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

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

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

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to consistently monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group's financial assets and financial liabilities based on contractual undiscounted cash flows:

	Note	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At 31 December 2020				
Financial assets				
Finance receivables		9,744,935	4,171,762	13,916,697
Trade receivables	19	1,261,970	–	1,261,970
Deposits and other financial assets		1,422,101	552,838	1,974,939
Restricted cash		2,529,500	67,359	2,596,859
Cash and cash equivalents	21	2,711,558	–	2,711,558
		17,670,064	4,791,959	22,462,023
Financial liabilities				
Borrowings		9,001,243	1,669,547	10,670,790
Trade payables	25	317,760	–	317,760
Lease liabilities		12,540	13,163	25,703
Other financial liabilities		819,147	92,312	911,459
		10,150,690	1,775,022	11,925,712
Net		7,519,374	3,016,937	10,536,311

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Note	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
At 31 December 2019				
Financial assets				
Finance receivables		19,073,828	12,429,228	31,503,056
Trade receivables	19	1,056,213	–	1,056,213
Deposits and other financial assets		1,042,615	611,608	1,654,223
Restricted cash		1,804,501	115,019	1,919,520
Cash and cash equivalents	21	1,586,817	–	1,586,817
		24,563,974	13,155,855	37,719,829
Financial liabilities				
Borrowings		17,300,767	3,650,887	20,951,654
Trade payables	25	472,328	–	472,328
Lease liabilities		12,490	23,828	36,318
Other financial liabilities		1,286,051	148,439	1,434,490
		19,071,636	3,823,154	22,894,790
Net		5,492,338	9,332,701	14,825,039

The Group's financial assets at fair value through profit or loss are investments in private companies and debt instruments, which are managed on a fair value basis rather than by maturity dates.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Other financial risk

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

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

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

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet and loans due to related parties) plus lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

Under the terms of some borrowing facilities, the Group is required to comply with certain financial covenants. The Group has complied with covenants throughout the reporting period.

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 31 December 2020 and 2019 was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Borrowings (Note 27)	**10,147,383**	19,840,169
Loans due to related parties	**–**	300,000
Total borrowings	**10,147,383**	20,140,169
Lease liabilities	**22,200**	29,380
Less: cash and cash equivalents and restricted cash (Note 21)	**(5,308,417)**	(3,494,144)
Net debt	**4,861,166**	16,675,405
Total equity	**14,533,862**	15,713,054
Total capital	**19,395,028**	32,388,459
Gearing ratio	**25%**	51%

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2020 and 2019, 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:

- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets:				
Financial assets at fair value through profit or loss	**–**	**–**	**2,568,860**	**2,568,860**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	–	–	2,550,085	2,550,085

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) *Financial instruments in level 3*

Level 3 instruments of the Group's assets and liabilities include financial assets at fair value through profit or loss.

The following table presents the changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended 31 December 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

	Financial assets at fair value through profit or loss	
	2020	2019
	RMB'000	RMB'000
At 1 January	**2,550,085**	2,098,200
Additions	**160,298**	422,318
Change in fair value	**444**	–
Currency translation differences	**(141,967)**	29,567
At 31 December	**2,568,860**	2,550,085
Total unrealized gains and change in fair value for the year	**444**	–

There is no transfer from level 1 and level 2 instruments to level 3 for the year ended 31 December 2020 (2019: nil).

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes 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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The valuation of the level 3 instruments mainly included investments in private companies and debt instruments. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques.

	Fair value at 31 December 2020 RMB'000	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Relationship of unobservable inputs to fair value
Unlisted securities	322,548	Discounted cash flow model	WACC (Weighted Average Cost of Capital)	16%-30%	The higher the expected WACC, the lower the fair value.
			Terminal growth rate	3%	The higher the expected terminal growth rate, the higher the fair value.
Debt instruments	2,246,312	Market approach	Bond yield	9.5%-10.5%	The higher the expected bond yield, the lower the fair value.
			Volatility	51.2%-51.8%	The higher the expected volatility, the higher the fair value.

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)/profit for the years ended 31 December 2020 and 2019 would have been approximately RMB249,638,000 lower/higher and RMB246,348,000 higher/lower, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for expected credit losses of finance receivables

The provision for expected credit losses of finance receivables is based on assumptions about risk of default and expected loss rates. Management uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(b) 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, forward-looking information and customers' credit conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables.

(c) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(d) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. As at 31 December 2020 and 2019, the recoverable amount of CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 14. These growth rates are consistent with management's financial forecast and budget. Details of key assumptions are disclosed in Note 14.

(e) Recognition of deferred income tax assets

Deferred income tax assets are mainly recognised for temporary differences such as provisions for expected credit losses, accrued expenses, unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

5 SEGMENT INFORMATION

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

– Transaction Platform Business

– Self-operated Financing Business

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

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

Other information, together with the segment information, provided to the CODM is measured in a manner consistent with that applied in these consolidated 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 31 December 2020 are as follows:

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

5 SEGMENT INFORMATION (continued)

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

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

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

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

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

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

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

6 OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income from business cooperation arrangements with Yusheng Holdings Limited ("Yusheng") (Note 29(a))	**151,899**	109,864
Government grants	**62,129**	47,372
(Losses)/gains on disposal of property and equipment and intangible assets	**(3,122)**	14,717
Fair value gain on financial assets (Note 16)	**444**	–
Foreign exchange gains, net	**7,115**	1,392
Bank fees and charges	**(13,919)**	(27,476)
Others, net	**14,106**	8,647
Total	**218,652**	154,516

7 EXPENSES BY NATURE

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

8 EMPLOYEE BENEFIT EXPENSES

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

(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 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**8,639**	15,258
Pension and benefits	**159**	307
Share-based compensation expenses	**53,868**	125,924
	62,666	141,489

The emoluments fell within the following bands:

	Numbers of individuals Year ended 31 December	
	2020	2019
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	1
HK$7,500,001 to HK$8,000,000	**2**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$24,000,001 to HK$24,500,000	**–**	1
HK$29,500,001 to HK$30,000,000	**–**	1
HK$45,000,001 to HK$45,500,000	**1**	–
HK$76,500,001 to HK$77,000,000	**–**	1
	5	6

8 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include 2 directors (2019: 2) whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 3 for each of the year ended 31 December 2020 (2019: 3) are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**3,599**	9,262
Pension and benefits	**104**	124
Share-based compensation expenses	**13,151**	31,998
	16,854	41,384

The emoluments fell within the following bands:

	Numbers of individuals Year ended 31 December	
	2020	**2019**
HK$3,500,001 to HK$4,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	1
HK$7,500,001 to HK$8,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**–**	1
HK$29,500,001 to HK$30,000,000	**–**	1
	3	3

For the year ended 31 December 2020 and 2019, there was no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 FINANCE INCOME, NET

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

10 INCOME TAX (CREDIT)/EXPENSE

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

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

10 INCOME TAX (CREDIT)/EXPENSE (continued)

The reconciliation of Group's actual income tax (credit)/expense to the Group's theoretical income tax amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Loss)/Profit before income tax	**(1,497,934)**	76,016
Tax calculated at PRC statutory income tax rate of 25%	**(374,484)**	19,004
Tax effects of:		
– Differential income tax rates applicable to certain entities comprising the Group (Note (a), (b))	**48,340**	68,577
– Tax effect of preferential tax treatments (Note (c))	**(23,380)**	(84,223)
– Expenses not deductible for tax purposes	**30,827**	45,016
– Tax losses for which no deferred income tax asset was recognized	**10,711**	7,702
– Utilization of previously unrecognized tax losses	**(9,455)**	(3,231)
– Recognition of deferred income tax assets previously unrecognized	**(7,407)**	–
– Additional deduction of research and development expense	**(5,375)**	(6,142)
– Utilization of previously unrecognized temporary difference	**(11,767)**	(1,623)
Others	**(195)**	–
Income tax (credit)/expense	**(342,185)**	45,080

(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 are not subject to any income tax.

10 INCOME TAX (CREDIT)/EXPENSE (continued)

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2020 and 2019.

(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 31 December 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

Shanghai Lanshu Information Technology Co., Ltd. ("Shanghai Lanshu") was accredited as a "software enterprise" under the relevant PRC laws and regulations in 2017. Therefore, Shanghai Lanshu is exempted from EIT for two years starting from the year ended 31 December 2017, followed by a 50% reduction in the applicable tax rates for the next three years.

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

(d) PRC Withholding Tax ("WHT")

According to the PRC Enterprise Income Tax Law ("EIT Law"), distribution of profits earned by PRC companies since 1 January 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 31 December 2020 and 2019, 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)/PROFIT PER SHARE

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

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

Notes:

(a) Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2019, the Company's dilutive potential ordinary shares comprise shares options and restricted shares awarded under the Pre-IPO Share Option Scheme and the First and Second Share Award Scheme (Note 24).

(b) For the year ended 31 December 2019, a calculation was done to determine the number of shares that could have been converted at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding unexercised awarded options and unvested awarded shares. The number of shares calculated as above was compared with the number of shares that would have been issued, assuming the conversion of the share options and restricted shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted profit per share.

(c) As the Group incurred loss for the year ended 31 December 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the year ended 31 December 2020 were the same as basic loss per share.

12 PROPERTY AND EQUIPMENT

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

12 PROPERTY AND EQUIPMENT (continued)

	Buildings RMB'000	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 1 January 2019						
Cost	–	56,371	12,779	417,793	15,318	502,261
Accumulated depreciation	–	(18,659)	(3,334)	(119,921)	(7,117)	(149,031)
Net book amount	–	37,712	9,445	297,872	8,201	353,230
For the year ended 31 December 2019						
Opening net book amount	–	37,712	9,445	297,872	8,201	353,230
Additions	27,380	10,187	3,040	3,897	6,210	50,714
Disposals	–	(4,687)	(967)	(242,147)	(95)	(247,896)
Depreciation charge	–	(11,146)	(3,017)	(30,126)	(3,379)	(47,668)
Closing net book amount	27,380	32,066	8,501	29,496	10,937	108,380
As at 31 December 2019						
Cost	27,380	59,807	14,686	56,282	21,301	179,456
Accumulated depreciation	–	(27,741)	(6,185)	(26,786)	(10,364)	(71,076)
Net book amount	27,380	32,066	8,501	29,496	10,937	108,380

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cost of revenues	**8,603**	30,126
Selling and marketing expenses	**9,020**	3,213
Administrative expenses	**18,922**	13,930
Research and development expenses	**4,163**	399
	40,708	47,668

13 LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

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

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

(b) Amounts recognised in the income statement

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

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

14 INTANGIBLE ASSETS

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

14 INTANGIBLE ASSETS (continued)

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

Note:

(a) Impairment test for goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts to the carrying amounts. As at 31 December 2020, 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.

	As at 31 December 2020 RMB'000	2019 RMB'000
Transaction Platform Business		
– KKC	**104,263**	104,263
– Others	**1,368**	1,368
	105,631	105,631

14 INTANGIBLE ASSETS (continued)

(a) Impairment test for goodwill (continued)

As at 31 December 2020, 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-year 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.

The key assumptions used by management for value-in-use calculations include (i) average annual revenue growth rate, which is 18.5% (2019: 9.2%) for a five-year period, and (ii) discount rate, which is 24.1% (2019: 25.3%). The estimated growth rate used in the value-in-use calculations for period beyond the five-year period is 3.0% (2019: 3.0%).

The revenue growth rates applied by the Group are consistent with management's financial forecast and budget. Management estimates budgeted gross margin based on past experiences and forecasts of future market developments. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks. The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

As at 31 December 2020, the directors are of the view that there was no impairment on the goodwill.

As at 31 December 2020, the directors are not aware of any events or changes in circumstances which would indicate that the carrying amount of the intangible assets may not be recoverable.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of revenues	**2,555**	2,580
Selling and marketing expenses	**262,011**	174,987
Administrative expenses	**5,660**	5,617
Research and development expenses	**64**	–
	270,290	183,184

15 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**15,546**	17,433
Additions (a)	**475,000**	–
Share of losses of associates	**(28,573)**	(1,887)
At end of the year	**461,973**	15,546

Notes:

(a) During the year ended 31 December 2020, the Group acquired 32.2% of Dalian Rongxin for cash consideration of RMB475,000,000. Dalian Rongxin is principally engaged in providing financial guarantees for auto loans.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

(a) The Company and Yusheng Holdings Limited ("Yusheng") entered into the Convertible Note Purchase Agreements in relation to the Company's investments in Yusheng by way of subscription of the Convertible Note.

Subscription date	Principal amount	Conversion Right	Number of shares convertible into
13 June 2018	USD260,000,000	Convertible into non-voting	13,000,000
15 November 2019	USD43,000,000	Series pre-A preferred shares	2,150,000
18 December 2020	RMB80,000,000	Convertible into non-voting Series B preferred shares	549,000

For the year ended 31 December 2020, the Group recognised fair value gain RMB444,000 (2019: nil) against the carrying amount of its investments in the investee companies, respectively, based on results of the fair value assessment.

17 FINANCIAL INSTRUMENTS BY CATEGORY

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

17 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

18 FINANCE RECEIVABLES

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

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

18 FINANCE RECEIVABLES (continued)

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

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

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

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

	Year ended 31 December 2020			
	Stage I	**Stage II**	**Stage III**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Opening balance at 1 January 2020	**175,605**	**233,587**	**270,535**	**679,727**
Provision for impairment	**902,300**	**528,345**	**304,699**	**1,735,344**
Reversal of impairment	**–**	**–**	**(119,264)**	**(119,264)**
Transfer for the period:				
Conversion to Stage I	***196***	***(131)***	***(65)***	**–**
Conversion to Stage II	***(121,675)***	***122,739***	***(1,064)***	**–**
Conversion to Stage III	***(788,907)***	***(752,796)***	***1,541,703***	**–**
Asset derecognised (including final repayment)	**–**	**–**	**119,264**	**119,264**
Write-off	**–**	**–**	**(1,914,511)**	**(1,914,511)**
Ending balance at 31 December 2020	**167,519**	**131,744**	**201,297**	**500,560**

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2019	233,773	105,731	175,393	514,897
Provision for impairment	610,693	89,105	120,682	820,480
Reversal of impairment	–	–	(8,567)	(8,567)
Transfer for the period:				
Conversion to Stage I	*23*	*(9)*	*(14)*	–
Conversion to Stage II	*(149,034)*	*149,027*	*7*	–
Conversion to Stage III	*(519,850)*	*(110,267)*	*630,117*	–
Asset derecognised (including final repayment)	–	–	8,567	8,567
Write-off	–	–	(655,650)	(655,650)
Ending balance at 31 December 2019	175,605	233,587	270,535	679,727

19 TRADE RECEIVABLES

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

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

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

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

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

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

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Included in non-current assets:		
Long-term receivables from loan facilitation services	**469,130**	373,711
Vehicles collected from financing lease customers	**330,255**	323,351
Deposits	**64,021**	235,401
Long-term receivables from guarantee service	**19,567**	–
Prepayment for vehicles	**11,705**	10,957
Vehicles purchased for future leases	**5,024**	31,532
Long-term prepaid expense	**4,950**	13,059
Prepayment for properties	**–**	422,207
Prepayment for investment in an associate	**–**	400,000
Others	**120**	2,496
	904,772	1,812,714
Less: provision for impairment of vehicles collected from financing lease customers	**(218,565)**	(104,761)
	686,207	1,707,953
Included in current assets:		
Other receivables from third parties	**368,246**	287,373
Deposits	**266,338**	369,865
Other receivables from related parties	**237,897**	1,588
Loans recognized as a result of payment under risk assurance	**211,537**	69,186
Loans to third parties (a)	**140,475**	83,980
Other receivables from disposal of assets	**115,947**	157,459
Prepaid taxes	**78,769**	181,194
Loans to related parties	**41,000**	41,000
Prepayments	**28,732**	22,841
Others	**120,495**	98,522
	1,609,436	1,313,008
Less: provision for impairment of other receivables (Note 3.1(b))	**(77,751)**	(51,239)
	1,531,685	1,261,769
Total	**2,217,892**	2,969,722

Notes:

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

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (continued)

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

	Provision for impairment	
	2020	2019
	RMB'000	RMB'000
As at 1 January	**156,000**	24,092
Charge for the year	**201,028**	131,908
Write-off	**(60,712)**	–
As at 31 December	**296,316**	156,000

21 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	**2,711,558**	1,586,817

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

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

21 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 31 December	
	2020	2019
	RMB'000	RMB'000
Term deposits pledged for bank borrowings (a)	**1,070,112**	1,101,478
Cash pledged for loan facilitation services (b)	**1,171,388**	494,460
Cash deposited for borrowings (c)	**11,609**	142,986
Others	**343,750**	168,403
	2,596,859	1,907,327
Of which are:		
Current restricted cash	**2,529,500**	1,793,009
Non-current restricted cash	**67,359**	114,318

Notes:

(a) The balance represents the term deposits placed with banks and used as pledged assets for the Group's bank borrowings (Note 27).

(b) The balance represents the deposits placed with banks and used as pledged assets for the Group's loan facilitation services.

(c) The balance represents the cash deposited for bank borrowings and cash collected from the finance receivables that are deposited for asset-backed securitization or other secured borrowings of the Group. Such balance is restricted from withdrawal by the Group.

21 CASH AND BANK BALANCES (continued)

(b) Restricted cash (continued)

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

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

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

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US$'000	Number of preferred shares	Nominal value of preferred shares US$'000
Authorized:				
As at 1 January and 31 December 2020	**15,000,000,000**	**1,500**	**–**	**–**
As at 1 January and 31 December 2019	15,000,000,000	1,500	–	–

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

Notes:

(a) On 12 October 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, 2020, total number of ordinary shares held by Share Scheme Trusts amounted to 111,700,834 (2019: 111,700,834), after giving effect to the Capitalization Issue. 96,704,327 (2019: 72,316,860) ordinary shares held by Share Scheme Trusts are issued and outstanding.

(b) During the year ended 31 December 2020, 2,915,315 pre-IPO share options with exercise price of US$0.0014 were exercised.

(c) During the year ended 31 December 2020, 26,106,259 (2019: 24,325,020) ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares (Note 24).

23 OTHER RESERVES

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

Notes:

(a) 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.

(b) 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.

24 SHARE-BASED PAYMENTS

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

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

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

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

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

Note:

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

24 SHARE-BASED PAYMENTS (continued)

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

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

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

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

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.

24 SHARE-BASED PAYMENTS (continued)

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

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

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

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

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

24 SHARE-BASED PAYMENTS (continued)

(c) Expected Retention Rate

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

25 TRADE PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**317,760**	472,328

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

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

26 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Risk assurance liabilities (a)	**277,457**	65,593
Deposits payable	**193,375**	219,654
Advances from customers	**93,406**	152,912
Deferred other income – current (Note 29(a))	**85,570**	109,564
Interest payable	**78,128**	145,986
Staff costs and welfare accruals	**67,163**	81,110
Other payables to related parties	**58,693**	245,659
Tax payable	**55,349**	49,069
Accrued expenses	**42,898**	80,289
Loans payable to Bitauto Group (Note 32(f))	**–**	301,295
Others	**211,494**	307,864
	1,163,533	1,758,995

Note:

(a) The Group provides loan facilitation services to facilitate auto loans to car buyers offered by auto loan facilitation financing partners. The auto loan facilitation financing partners offer financing solutions to car buyers. In some of the loan facilitation arrangements, the Group provides financial guarantee in the event of default on the full repayment of principal and any accrued interests. As at 31 December 2020, the amount of maximum potential future payments that the Group could be required to make under the financial guarantee contracts was RMB17,881 million (2019: RMB6,374 million). As at 31 December 2020, the guarantee liabilities recognised by the Group under such financial guarantee contracts was RMB247,900,000 (2019: RMB65,593,000).

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

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

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

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

27 BORROWINGS

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

Notes:

(a) The pledge borrowings are collateralized by a pledge of term deposits with carrying values of RMB1,070,095,000 (2019: RMB1,101,478,000) and the Group's finance receivables amounting to RMB291,894,000 (2019: RMB91,650,000) as at 31 December 2020.

(b) 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 subscribe for 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 as 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 31 December 2020, the carrying amount of finance receivables that were collateralized in securitization transactions was RMB3,773,042,000 (2019: RMB10,136,325,000).

(c) As at 31 December 2020, borrowings amounting to RMB5,331,850,000 (2019: RMB6,860,458,000) are secured by the cash proceeds of certain of the Group's finance receivables. As at 31 December 2020, the finance receivables amounting to RMB5,333,068,000 (2019: RMB6,516,064,000) are used as pledge for such borrowings.

No borrowings (2019: RMB2,667,350,000) 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 31 December 2020, no finance receivables (2019: RMB2,887,900,000) are used as pledge for such borrowings.

(d) As at 31 December 2020, borrowings amounting to RMB689,080,000 (2019: RMB1,524,364,000) are guaranteed by the Company and its certain subsidiaries and borrowings amounting to RMB31,341,000 (2019: RMB92,050,000) are unsecured loans.

27 BORROWINGS (continued)

The borrowings are repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**8,585,583**	16,408,645
Between 1 and 2 years	**1,172,814**	3,044,209
Between 2 and 5 years	**308,186**	283,315
Over 5 years	**80,800**	104,000
	10,147,383	19,840,169

As at 31 December 2020, the applicable interest rates on long-term borrowings range from 4.80% to 9.00% (2019: 4.75% to 9.50%) per annum.

As at 31 December 2020 the applicable interest rates on short-term borrowings range from 3.10% to 9.50% (2019: 4.35% to 9.50% per annum).

As at 31 December 2020 and 2019, the carrying amounts of borrowings are primarily denominated in RMB and approximate their fair values at each of the reporting dates. Risk exposure are set out in note 3.1.

28 DEFERRED INCOME TAX

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

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

28 DEFERRED INCOME TAX (continued)

The gross movements on the deferred income tax account are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At 1 January	**420,942**	213,641
Credited to consolidated income statement	**278,711**	207,301
Acquisition of a subsidiary	**(910)**	–
At the end of the year	**698,743**	420,942

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	Others RMB'000	Total RMB'000
At 1 January 2020	**(2,353)**	**(384)**	**(2,737)**
Credited to consolidated income statement	**–**	**195**	**195**
Acquisition of a subsidiary	**–**	**(910)**	**(910)**
At 31 December 2020	**(2,353)**	**(1,099)**	**(3,452)**
At 1 January 2019	(2,353)	(549)	(2,902)
Credited to consolidated income statement	–	165	165
At 31 December 2019	(2,353)	(384)	(2,737)

28 DEFERRED INCOME TAX (continued)

Deferred income tax assets

	Provision for expected credit losses of finance receivables RMB'000	Provision for impairment of trade receivables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	**358,852**	**28,050**	**9,235**	**27,542**	**423,679**
Credited to consolidated income statement	**65,789**	**13,106**	**111,948**	**87,673**	**278,516**
At 31 December 2020	**424,641**	**41,156**	**121,183**	**115,215**	**702,195**
At 1 January 2019	179,383	32,165	4,507	488	216,543
Credited/(charged) to consolidated income statement	179,469	(4,115)	4,728	27,054	207,136
At 31 December 2019	358,852	28,050	9,235	27,542	423,679

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.

As at 31 December 2020, the Group did not recognize deferred income tax assets of RMB19,437,000 (2019: RMB11,716,000) in respect of cumulative tax losses amounting to RMB92,614,000 (2019: RMB46,864,000) that can be carried forward against future taxable income. The tax losses applicable to Hong Kong tax law can be carried forward indefinitely, and the remaining tax losses will expire from 2021 to 2025.

29 OTHER NON-CURRENT LIABILITIES

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

Note:

(a) On 31 June 2018, the Company and Yusheng entered into the Convertible Note Purchase Agreement, the Business Cooperation Agreement ("BCA") and the Framework Agreement in relation to the Company's investment in Yusheng by way of subscription of the convertible bond. The Company agreed to provide certain cooperation services to Yusheng and/or its affiliates pursuant to the BCA for a term of 20 years. The BCA includes (i) providing certain traffic support in relation to the used automobile transaction business ("Used Automobile Transaction Business"); (ii) providing certain automobile database related services; and (iii) the Group shall not engage in, invest in, own, manage, operate or provide assistance to businesses that may compete with the Used Automobile Transaction Business during predetermined terms. Deferred revenue was initially recognised at fair value of the services in the BCA included in "Other payables and accruals" and "Other non-current liabilities" on the consolidated balance sheet. Other income from business cooperation arrangements with Yusheng was recognised over time within the term of BCA included in "Other income and other gains, net" on the consolidated income statements.

30 CASH FLOW INFORMATION

(a) Cash used in operations

	Year ended 31 December 2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	**(1,497,934)**	76,016
Adjustments for:		
– Provision for impairment of trade receivables (Note 19)	**30,988**	268,466
– Provision for expected credit losses of finance receivables (Note 18)	**1,616,080**	811,913
– Provision for impairment of other receivables (Note 20)	**87,224**	27,147
– Provision for impairment of other non-current assets (Note 20)	**113,804**	104,761
– Provision for impairment losses of risk assurance	**77,978**	–
– Depreciation of vehicles for operating leases (Note 12)	**8,603**	30,126
– Depreciation of other property and equipment (Note 12)	**32,105**	17,542
– Amortization of intangible assets (Note 14)	**270,290**	183,184
– Amortization of right-of-use assets (Note 13)	**12,064**	35,384
– Loss/(gain) on disposals of property and equipment	**5,544**	(888)
– Share-based compensations (Note 24)	**105,043**	233,124
– Fair value gain of financial assets at fair value through profit or loss (Note 16)	**(444)**	–
– Share of losses of investments accounted for using the equity method	**28,573**	1,887
– Interest income (Note 9)	**(36,387)**	(66,913)
– Interest expenses (Note 9)	**24,637**	38,780
– Funding costs (Note 7)	**1,055,362**	1,902,858
– Foreign exchange gains, net (Note 6)	**(7,115)**	(1,392)
– Decrease in vehicles for operating leases	**12,679**	219,848
– Increase in trade receivables	**(236,055)**	(582,415)
– Decrease in finance receivables	**12,463,621**	8,856,195
– (Increase)/decrease in prepayments, deposits and other assets	**(407,648)**	373,536
– Increase in other operational restricted cash	**(833,307)**	(659,959)
– Decrease in trade payables (Note 25)	**(151,801)**	(221,089)
– Decrease in other payables and accruals	**(282,753)**	(15,698)
– Decrease in other non-current liabilities	**(203,951)**	(12,104)
Cash generated from operations	**12,287,200**	11,620,309

30 CASH FLOW INFORMATION (continued)

(b) Major non-cash transactions

There were no material non-cash transactions for the year ended 31 December 2020 (2019: nil).

(c) Net Debt Reconciliation

	Liabilities from financing activities				Cash and cash equivalents and restricted cash	
	Borrowings RMB'000	Lease liabilities RMB'000	Loans due to related parties RMB'000	Subtotal RMB'000	Cash and cash equivalents and restricted cash RMB'000	Total RMB'000
As at 1 January 2020	**(19,840,169)**	**(29,380)**	**(300,000)**	**(20,169,549)**	**3,494,144**	**(16,675,405)**
Cash flows	**9,738,688**	**8,904**	**300,000**	**10,047,592**	**1,809,538**	**11,857,130**
Other non-cash movements	**(45,902)**	**(1,724)**	**–**	**(47,626)**	**–**	**(47,626)**
Foreign exchange adjustments	**–**	**–**	**–**	**–**	**4,735**	**4,735**
As at 31 December 2020	**(10,147,383)**	**(22,200)**	**–**	**(10,169,583)**	**5,308,417**	**(4,861,166)**
As at 1 January 2019	(30,198,484)	(49,680)	(1,128,113)	(31,376,277)	5,654,386	(25,721,891)
Cash flows	10,430,506	32,488	844,761	11,307,755	(2,167,329)	9,140,426
Other non-cash movements	(72,191)	(12,188)	–	(84,379)	–	(84,379)
Foreign exchange adjustments	–	–	(16,648)	(16,648)	7,087	(9,561)
As at 31 December 2019	(19,840,169)	(29,380)	(300,000)	(20,169,549)	3,494,144	(16,675,405)

The non-cash movements of borrowings are primarily related to the amortization of loan origination fees over the term of borrowings. The non-cash movements of leases included accrued interest expenses and addition of lease liabilities.

31 COMMITMENTS

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Capital investment in a related party	**–**	75,000

32 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Major shareholders

Name	Type	Place of incorporation	Ownership interest 2020	2019
Bitauto Holdings Limited, together with its subsidiary, Bitauto Hong Kong Limited	Major shareholder	Cayman Islands and Hong Kong, respectively	**43.70%**	44.47%
Tencent Group	Major shareholder	Cayman Islands and Hong Kong	**71.67%**	20.59%

Pursuant to the Voting Proxy Agreement entered into between Bitauto and Tencent on 15 November 2019, Tencent granted to Bitauto a voting proxy representing approximately 10% of the then issued share capital of the Company, enabling Bitauto to exercise in excess of 50% of the voting rights in the Company. Upon the termination of the Voting Proxy Agreement with effect from 4 November 2020, Bitauto no longer had statutory control over the Company but the Bitauto Group remains a major shareholder of Yixin, holding 43.70% of the issued share capital of Yixin as at 31 December 2020. The Tencent Group, holding 71.67% of the issued share capital of Yixin as at 31 December 2020 through its controlled entities, including Bitauto Holdings Limited and Bitauto Hong Kong Limited, is the largest major shareholder of the Company.

32 RELATED PARTY TRANSACTIONS (continued)

(b) Names and relationships with related parties

Company	Relationship
Bitauto Holdings Limited and its subsidiaries	Major shareholder and its subsidiaries
Beijing Changxing Information Technology Co., Ltd.[(i)]	Significantly influenced by a major shareholder
Shanghai Chetuan Network Information Technology Co., Ltd. ("Chetuan") [(i)]	Significantly influenced by a major shareholder
Dalian Rongxin	Associate
Beijing Anxinbao Insurance Brokerage Co., Ltd.	Associate
Beijing Jingdong Century Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Suqian Yunhan Information Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Cloud Computing (Beijing) Company Limited	Subsidiary of a major shareholder
Tenpay Payment Technology Co., Ltd.	Subsidiary of a major shareholder

(i) Beijing Changxing Information Technology Co., Ltd. and Shanghai Chetuan Network Information Technology Co., Ltd. are no longer the Group's related parties with the completion of privatization of Bitauto on 4 November 2020.

(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 31 December	
	2020	2019
	RMB'000	RMB'000
(i) Provision of transaction services in accordance with advertising and data services agreements		
Bitauto Group	**47,170**	13,208
(ii) Provision of other transaction services to related parties		
Bitauto Group	**–**	4,798
(iii) Provision of financial services in accordance with automobile leasing agreement		
Bitauto Group	**–**	52

32 RELATED PARTY TRANSACTIONS (continued)

(c) Significant transactions with related parties (continued)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(iv) Purchases of other services from related parties		
Bitauto Group	**4,330**	2,663
(v) Purchases of used car valuation services in accordance with used auto services agreements		
Bitauto Group	**9,862**	13,974
(vi) Purchases of data services and traffic support services from related parties		
Tencent Cloud Computing (Beijing) Company Limited	**1,612**	461
Suqian Yunhan Information Technology Co., Ltd.	**5,086**	309
	6,698	770
(vii) Purchase of payment services in accordance with payment services framework agreements		
Tenpay Payment Technology Co., Ltd.	**5,741**	6,522
(viii) Purchase of promotional materials from a related party		
Beijing Jingdong Century Information Technology Co., Ltd.	**1,226**	539
(ix) Purchases of vehicles from a related party		
Chetuan	**–**	75,359

Note:

(a) In addition to the amounts disclosed above, as part of the 2017 Traffic Support Services, 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 26 May 2017, in which all online enquiries regarding used automobile-related business arising from Bitauto Group's websites would be directed to the Group.

32 RELATED PARTY TRANSACTIONS (continued)

(d) Year end balances with related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
(i) Trade receivables due from related parties		
Bitauto Group	**188,017**	138,017
(ii) Finance receivables due from a related party		
Chetuan	**–**	27,694
(iii) Other receivables due from related parties		
Dalian Rongxin	**188,077**	–
Bitauto Group	**49,800**	1,588
	237,877	1,588
(iv) Trade and other payables due to related parties for goods and services		
Bitauto Group	**66,812**	248,106
(v) Prepayments made to related parties		
Chetuan	**–**	10,300
Beijing Jingdong Century Information Technology Co., Ltd.	**20**	711
Beijing Changxing Information Technology Co., Ltd.	**–**	1,792
	20	12,803
(vi) Prepayment for investment in a related party		
Bitauto Group	**–**	400,000

Except for the related parties transactions disclosed under Note 32(f) and (g), balances with other related parties were all unsecured, interest-free, and repayable on demand.

32 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 compensation paid or payable to key management for employee services is shown in Note 8(a).

(f) Loans from Bitauto Group

	2020 RMB'000	2019 RMB'000
At 1 January	**301,295**	1,129,590
Loans advanced	**300,000**	300,000
Loans repayment made	**(600,000)**	(1,144,406)
Interest charged	**11,096**	20,595
Interest paid	**(12,391)**	(21,132)
Currency translation differences	**–**	16,648
At 31 December	**–**	301,295
Including: Principal of loans	**–**	300,000
Accrued interests	**–**	1,295

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 of 7.50% per annum and ranging from 3.00% to 7.50% per annum for years ended 31 December 2020 and 2019, respectively.

(g) Loan to a related party

	As at 31 December 2020 RMB'000	2019 RMB'000
Beijing Anxinbao Insurance Brokerage Co., Ltd.	**22,000**	22,000

33 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director for the year ended 31 December 2020 is set out as below:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
Executive Director					
Xuan Zhang	–	2,655	23	37,912	40,590
Dong Jiang	–	1,661	52	5,349	7,062
Non-executive Directors					
James Gordon Mitchell (retired in June 2020)	–	–	–	–	–
Jimmy Chi Ming Lai	–	–	–	–	–
Chenkai Ling	–	–	–	–	–
Huan Zhou	–	–	–	–	–
Independent non-executive Directors					
Tin Fan Yuen	–	1,526	–	484	2,010
Chester Tun Ho Kwok	–	1,531	–	484	2,015
Lily Li Dong	–	944	–	242	1,186
	–	8,317	75	44,471	52,863

33 BENEFITS AND INTERESTS OF DIRECTORS (continued)

The remuneration of every director for the year ended 31 December 2019 is set out as below:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs and social security costs RMB'000	Share-based compensation expenses (a) RMB'000	Total RMB'000
Executive Director					
Xuan Zhang	–	3,460	71	74,004	77,535
Dong Jiang	–	1,913	101	19,439	21,453
Non-executive Directors					
Jimmy Chi Ming Lai	–	–	–	–	–
Chenkai Ling	–	–	–	–	–
Huan Zhou (appointed in May 2019)	–	–	–	–	–
Xuyang Zhang (resigned in May 2019)	–	–	–	–	–
Independent non-executive Directors					
Tin Fan Yuen	–	1,071	–	1,008	2,079
Chester Tun Ho Kwok	–	1,076	–	1,008	2,084
Lily Li Dong	–	714	–	504	1,218
	–	8,234	172	95,963	104,369

Note:

(a) Share-based compensation expenses are calculated by applying a graded vesting approach according to IFRS 2 that has the effect of recognizing more expenses up front comparing to recognizing expenses evenly during vesting periods. For Pre-IPO Share Option, expenses are calculated with fair value of each option from US$0.53 to US$0.70 (HK$4.12 to HK$5.46). For the First and Second Share Award Scheme, expenses are calculated with fair value of each share from US$0.23 to US$0.40 (HK$1.83 to HK$3.14). As at 31 December 2020, closing price of the Group on Hong Kong Stock Exchange was HK$3.10 (US$ 0.40).

33 BENEFITS AND INTERESTS OF DIRECTORS (continued)

During the year ended 31 December 2020, there are no retirement or termination benefits that have been paid to the Company's directors (2019: nil).

During the year ended 31 December 2020, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: nil).

During the year ended 31 December 2020, none of the Company's directors received any emoluments as an inducement to join or upon joining the Group (2019: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 (2019: nil).

34 CONTINGENCIES

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

35 SUBSEQUENT EVENTS

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

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

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	**4,369,123**	4,566,300
Prepayments, deposits and other assets	**14,132,224**	15,986,626
	18,501,347	20,552,926
Current assets		
Cash and cash equivalents	**1,171**	915
Total assets	**18,502,518**	20,553,841
EQUITY AND LIABILITIES		
Equity		
Share capital	**4,182**	4,148
Share premium	**34,882,666**	34,739,193
Other reserves	**1,209,081**	2,417,192
Accumulated losses	**(19,181,203)**	(19,263,703)
Total equity	**16,914,726**	17,896,830
Liabilities		
Non-current liabilities		
Other non-current liabilities	**1,165,387**	1,414,160
Current liabilities		
Other payables and accruals	**422,405**	1,242,851
Total liabilities	**1,587,792**	2,657,011
Total equity and liabilities	**18,502,518**	20,553,841

The balance sheet of the Company was approved by the Board of Directors on 24 March 2021 and was signed on its behalf.

Andy Xuan Zhang	**Dong Jiang**
Director	*Director*

36 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Accumulated loss RMB'000	Other reserves RMB'000
At 1 January 2020	**(19,263,703)**	**2,417,192**
Profit for the year	**82,500**	**–**
Share-based compensation	**–**	**105,043**
Release of ordinary shares from Share Scheme Trusts	**–**	**(87,189)**
Shares issued upon exercise of employee share options	**–**	**(10,423)**
Shares issued upon vesting of restricted awarded shares	**–**	**(45,627)**
Repurchase of ordinary shares	**–**	**(6,351)**
Currency translation differences	**–**	**(1,163,564)**
At 31 December 2020	**(19,181,203)**	**1,209,081**
At 1 January 2019	(19,274,734)	2,044,857
Profit for the year	11,031	–
Share-based compensation	–	233,124
Release of ordinary shares from Share Scheme Trusts	–	(87,190)
Shares issued upon exercise of employee share options	–	(11,460)
Shares issued upon vesting of restricted awarded shares	–	(48,163)
Repurchase of ordinary shares	–	(2,581)
Currency translation differences	–	288,605
At 31 December 2019	(19,263,703)	2,417,192

37 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY

The following is a list of the principal subsidiaries and controlled structured entity at 31 December 2020:

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 31 December 2020	2019
Yixin Holding Hong Kong Limited (formerly known as Yixin Capital Hongkong Limited)	Hong Kong, 27 November 2014, limited liability company	Investment holding, Hong Kong	HK$10	**100%**	100%
KKC Holdings Limited	The Cayman Islands, 22 April 2014, limited liability company	Investment holding, the Cayman Islands	US$7,700	**100%**	100%
KKC Holdings Limited	Hong Kong, 8 May 2014, limited liability company	Investment holding, Hong Kong	HK$1	**100%**	100%
Rising Champion International Limited	Hong Kong, 15 June 2018, limited liability company	Investment holding, Hong Kong	HK$1	**100%**	100%
Eminent Success Holdings Group Limited	British Virgin Islands, 26 June 2018, limited liability company	Investment holding, British Virgin Islands	US$50,000	**100%**	100%
Beijing KKC Technology Company Limited	The PRC, 10 July 2014, limited liability company#	Transaction services, the PRC	US$11,400,000	**100%**	100%
Shanghai Yixin Financing Lease Co., Ltd.	The PRC, 12 August 2014, limited liability company*	Leasing services, the PRC	US$1,500,000,000	**100%**	100%
Xinche Investment (Shanghai) Co., Ltd. (formerly known as Shanghai Rongche Information Technology Limited)	The PRC, 16 January 2015, limited liability company#	Investment holding, the PRC	US$2,000,000,000	**100%**	100%
Shanghai Lanshu Information Technology Co., Ltd.	The PRC, 29 January 2015, limited liability company*	Technology development, the PRC	RMB50,000,000	**100%**	100%

37 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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 31 December 2020	2019
Shanghai Techuang Advertisements Co., Ltd.	The PRC, 29 January 2015, limited liability company*	Advertising services, the PRC	US$20,000,000	**100%**	100%
Tianjin Hengtong Jiahe Financing Lease Co., Ltd.	The PRC, 18 May 2015, limited liability company*	Leasing services, the PRC	US$500,000,000	**100%**	100%
Shenyang Yixin Financial Service Co., Ltd.	The PRC, 13 December 2016, limited liability company*	Financial services, the PRC	RMB10,000,000	**100%**	100%
Beijing Yixin Auto Leasing Co., Ltd.	The PRC, 15 December 2016, limited liability company	Auto leasing, the PRC	RMB9,000,000	**100%**	100%
Guangzhou Rongche Leasing Co., Ltd.	The PRC, 8 March 2017, limited liability company	Leasing services, the PRC	RMB200,000,000	**100%**	100%
Tianjin Huibao Advertising Co., Ltd.	The PRC, 10 August 2017, limited liability company#	Advertising services, the PRC	US$2,000,000	**100%**	100%
Xinjiang Yin'an Information Technology Co., Ltd.	The PRC, 6 September 2017, limited liability company#	Advertising services, the PRC	US$10,000,000	**100%**	100%
Xinjiang Wanxing Information Technology Co., Ltd.	The PRC, 24 January 2018, limited liability company#	Information technology, the PRC	RMB20,000,000	**100%**	100%
Tianjin Wuxin Commercial Factoring Co., Ltd.	The PRC, 12 June 2018, limited liability company*	Commercial factoring, the PRC	RMB50,000,000	**100%**	100%
Tianjin Kars Information Technology Co., Ltd.	The PRC, 19 June 2018, limited liability company#	Transaction services, the PRC	RMB20,000,000	**100%**	100%

37 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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 31 December 2020	2019
Xinjiang Jinchuan Jiahua Automobile Service Co., Ltd.	The PRC, 20 March 2019, limited liability company*	Transaction services, the PRC	RMB5,000,000	**100%**	100%
Shanghai Zengxin Information Technology Co., Ltd.	The PRC, 25 April 2019, limited liability company#	Technology development, the PRC	RMB500,000,000	**100%**	100%
Guangdong Haihan Technology Development Co., Ltd	The PRC, 8 November 2019, limited liability company#	Information technology, the PRC	RMB102,200,000	**100%**	100%
Guangzhou Shengda Financing Guarantee Company Limited	The PRC, 12 November, 2019, limited liability company	Financial services, the PRC	RMB100,170,000	**100%**	100%
Hainan Xinye Information Technology Co., Ltd.	The PRC, 21 April, 2020, limited liability company#	Information technology, the PRC	RMB10,000,000	**100%**	–
Yunnan Juliying enterprise management Co., Ltd.	The PRC, 10 October 2020, limited liability company#	Financial services, the PRC	RMB20,000,000	**100%**	–
Xinjiang Wanhong Information Technology Co., Ltd.	The PRC, 15 September 2020, limited liability company#	Information technology, the PRC	RMB20,000,000	**100%**	–
Xinjiang Wanyi Information Technology Co., Ltd.	The PRC, 15 September 2020, limited liability company#	Information technology, the PRC	RMB20,000,000	**100%**	–
Tianjin Duoxin Financing Guarantee Company Limited	The PRC, 18 September 2020, limited liability company#	Financial services, the PRC	RMB300,000,000	**100%**	–
Beijing Xinshu Information Technology Co., Ltd.	The PRC, 22 September 2020 limited liability company#	Information technology, the PRC	RMB3,000,000	**100%**	–

37 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY (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 31 December 2020	2019
Yixin Hong Kong Investment limited	Hong Kong, 25 November 2020, limited liability company	Investment holding, Hong Kong	HK$1	**100%**	–
Ruige Capital Management Co., Ltd.	The PRC, 23 December 2020, limited liability company#	Investment holding, the PRC	US$100,000,000	**100%**	–
Beijing Yixin Information Technology Co., Ltd.	The PRC, 9 January 2015, limited liability company^	Advertising and subscription services, the PRC	RMB50,000,000	**100%**	100%

Remarks:

\# Registered as wholly foreign owned enterprises under PRC law

* Registered as sino- foreign equity joint venture under PRC law

^ Controlled by New Contractual Arrangements

FIVE-YEAR FINANCIAL SUMMARY

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Revenue	1,487,897	3,905,509	5,532,632	5,799,982	**3,325,215**
Gross profit	735,009	2,189,913	2,475,423	2,766,458	**1,555,639**
(Loss)/Profit for the year	(1,404,338)	(18,336,554)	(166,580)	30,936	**(1,155,749)**
Adjusted net (loss)/profit (unaudited)	99,665	464,121	344,716	439,452	**(800,101)**

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Assets					
Non-current assets	9,491,664	21,861,254	24,460,177	17,137,951	**10,642,174**
Current assets	10,559,715	21,005,233	26,082,085	22,409,003	**16,883,448**
Total assets	20,051,379	42,866,487	50,542,262	39,546,954	**27,525,622**
Equity and liabilities					
Equity attributable to owners of the Company	(1,397,159)	15,342,023	15,417,818	15,713,054	**14,533,862**
Non-controlling interests	12,684	–	–	–	**–**
Total equity	(1,384,475)	15,342,023	15,417,818	15,713,054	**14,533,862**
Liabilities					
Non-current liabilities	11,401,179	7,840,136	10,341,441	4,943,895	**2,776,710**
Current liabilities	10,034,675	19,684,328	24,783,003	18,890,005	**10,215,050**
Total liabilities	21,435,854	27,524,464	35,124,444	23,833,900	**12,991,760**
Total equity and liabilities	20,051,379	42,866,487	50,542,262	39,546,954	**27,525,622**

"ABSs"	asset-backed securities, which refer to financial securities or notes backed by assets such as receivables, that are issued through public or private offerings
"Annual General Meeting"	the annual general meeting of the Company to be held on May 6, 2021
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Beijing Bitauto"	Beijing Bitauto Internet Information Company Limited* (北京易車互聯信息技術有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Bitauto HK
"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 Bitcar Interactive"	Beijing Bitcar Interactive Information Technology Co., Ltd.* (北京易卡互動信息技術有限公司), a company established under the laws of the PRC and an associate 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 previously 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
"Board"	the board of Directors
"Capitalization Issue"	the issue of 4,626,550,692 Shares on the Listing Date to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in the section headed "History and Corporate Structure — The Capitalization Issue" of the Prospectus

"Cayman Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China" or "PRC"	PRC 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
"Close of Offer Announcement"	the announcement jointly issued by the Joint Offerors and the Company dated 2 December 2020 in relation to, among other things, the results of the Offers and the public float of the Company
"Company", "our Company", "Yixin"	Yixin Group Limited 易鑫集团有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 19, 2014 and carries on business in Hong Kong as Yixin Automotive Technology Group Limited and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2858)
"Company Secretary"	the company secretary of the Company
"Company's Securities Dealing Code"	the Company's own code of conduct for securities transactions regarding the Directors' dealings in the securities of the Company on terms no less exacting than the Model Code
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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 — New Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report and during the Reporting Period, refers to Bitauto and Bitauto HK and each of them shall be referred to as a controlling Shareholder, unless the context requires otherwise
"Dalian Rongxin"	Dalian Rongxin Financing Guarantees Company Ltd.*(大連融鑫融資擔保有限公司), a company established under the laws of the PRC and an associate of the Group
"Director(s)"	the director(s) of our Company
"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 New Contractual Arrangements) from time to time
"Hammer Capital"	Hammer Capital Opportunities Fund L.P., an exempted limited partnership organized under the laws of the Cayman Island, the general partner of which is Hammer Capital Opportunities General Partner, which is ultimately beneficially owned by Mr. Rodney Ling Kay Tsang
"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
"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
"IPO"	initial public offering of the Shares on the Main Board
"JD.com"	JD.com, Inc., a company incorporated in the Cayman Islands and currently listed on Nasdaq Global Select Market (NASDAQ: JD) and the Main Board of the Stock Exchange (Stock code: 9618), our substantial Shareholder
"JD Digital"	Jingdong Digital Technology Holding Co., Ltd.* (京東數字科技控股有限公司) (formerly named Beijing Jingdong Finance Technology Holding Co., Ltd.* (北京京東金融科技控股有限公司)), a company established under the laws of the PRC, the composition of a majority of the board of directors of which is controlled by Mr. Liu Qiangdong, a connected person of the Company

"Joint Sponsors"	Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited
"Joint Offerors"	Tencent Mobility and Hammer Capital Offerco 1 Limited
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	November 16, 2017, being the date the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Memorandum"	the amended memorandum of association of the Company adopted and as amended from time to time
"MIIT"	the Ministry of Industry and Information Technology of PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Morespark"	Morespark Limited, a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent, and a substantial shareholder of the Company
"New Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Tianjin Kars, Beijing Yixin and its shareholders, details of which are described in the section headed "Report of the Directors — Connected Transactions — New Contractual Arrangements"
"Nomination Committee"	the nomination committee of the Company
"NYSE"	the New York Stock Exchange
"Offers"	the Yixin Share Offer and the Yixin Option Offer
"PRC Legal Advisor"	Han Kun Law Offices, PRC Legal Advisor to the Company
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on May 26, 2017, the principal terms of which are set out in the section headed "Report of the Directors — Pre-IPO Share Option Scheme and Share Award Schemes — Pre-IPO Share Option Scheme"
"Prospectus"	the prospectus of the Company dated November 6, 2017
"Qualification Requirements"	a number of stringent performance and operational experience requirements, including demonstrating good track records and experience in operating value-added telecommunications business overseas

"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2020
"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 Yixin"	Shanghai Yixin Financing Lease Co., Ltd.* (上海易鑫融資租賃有限公司), a company established under the laws of the PRC on August 12, 2014 and our indirect wholly-owned subsidiary
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of Share(s) from time to time
"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
"Suqian Yunhan"	Suqian Yunhan Information Technology Co., Ltd.* (宿遷雲瀚信息科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of JD Digital
"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
"Tencent Mobility"	Tencent Mobility Limited, a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent, and one of the Joint Offerors
"THL H Limited"	a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of Tencent, our substantial Shareholder
"Tianjin Kars"	Tianjin Kars Information Technology Co., Ltd.* (天津卡爾斯信息科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Two Contractual Arrangements"	the Contractual Arrangements and the New Contractual Arrangements
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"US$"	United States dollars, the lawful currency of the United States
"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 (易鑫集団香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and our wholly-owned subsidiary
"Yixin Option(s)"	the outstanding share option(s) granted by the Company pursuant to the Pre-IPO Share Option Scheme
"Yixin Option Offer"	the offer made by China Tonghai Capital Limited on behalf of the Joint Offerors to the holder(s) of the Yixin Options in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Yixin Options
"Yixin Share Offer"	the unconditional mandatory cash offer by China Tonghai Capital Limited on behalf of the Joint Offerors for all the issued Shares (other than the Shares owned by Tencent and its subsidiaries (excluding Yiche Holding Limited, Bitauto and its subsidiaries), Hammer Capital and entities controlled by Mr. Rodney Ling Kay Tsang, Bitauto and Bitauto HK)
"Yusheng"	Yusheng Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
"%"	per cent

* *for identification purposes only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

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