



Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
stock code : 2718

// INTERIM REPORT 2021 //



*For identification purposes only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lin Fan (*Chairman*)
Mr. Shao Yongjun

Non-executive Directors

Mr. Koh Tee Choong
Mr. Li Guozhou

Independent Non-executive Directors

Mr. Wong Man Chung Francis
Ms. Liang Yanjun

BOARD OF SUPERVISORS

Mr. Li Huihua (*Chairman*)
Mr. Li Tao
Ms. Wang Qing

AUDIT COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)
Ms. Liang Yanjun

REMUNERATION AND EVALUATION COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)
Mr. Koh Tee Choong
Ms. Liang Yanjun

NOMINATION COMMITTEE

Ms. Liang Yanjun (*Chairlady*)
Mr. Koh Tee Choong
Mr. Wong Man Chung Francis

RISK MANAGEMENT COMMITTEE

Mr. Lin Fan (*Chairman*)
Mr. Shao Yongjun
Mr. Wong Man Chung Francis

COMPANY SECRETARY

Mr. Chan Pak Hung
Ms. Yao Wen (resigned on 26 January 2021)

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISORS

YTL LLP (as to Hong Kong laws)
Suites 2606-08, China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Hubei Ruoyan Law Firm (as to PRC laws)
17th Floor, Block B, Chutian Metropolis Garden
No. 1 Zhongbei Road
Wuchang District, Wuhan
Hubei, China

H SHARE REGISTRAR

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

WEBSITE

www.dongzhengafc.com

STOCK CODE

2718

REGISTERED ADDRESS AND ADDRESS OF THE HEAD OFFICE IN THE PRC

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No. 166, Lu Jia Zui Ring Road
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5905, 59/F
The Center
99 Queen's Road Central
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an automotive finance company licensed and regulated by the CBIRC focusing on the luxury vehicle market. The Company's principal business comprises automotive loan business where the Company provides loans, direct leasing products and other financial services to the end customers, major customers and corporate clients for purchases of vehicles.

In the first half of 2021, despite encountering complicated and volatile domestic and international circumstances, along with the impact of chip shortage and increasing price of raw materials, the automobile industry in China has been growing at a fast pace. According to the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in China in 2021 delivered a year-on-year increase of 26.8% and 27.0%, respectively. The increase was in part due to the recovery from industry downturn caused by the outbreak of COVID-19 pandemic in the first half of 2020 and post-pandemic rebound of demand.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 30 June 2021, there were 25 (31 December 2020: 25) licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies, being in close relationship with automobile manufacturers and dealers, deliver enhanced product offerings and better services to customers. In addition to self-operated products through conventional financing channels such as inter-bank lending and banking facilities leveraging on its advantages as a licensed institution, the Company actively cooperated with major banks to launch joint loan products as a complement to its self-operated products, so as to facilitate the Company's asset allocation based on market conditions.

During the period, the Company's dealer network covered 225 cities in China. As at 30 June 2021, the Company had 870 (31 December 2020: 962) partnership-based dealers in total. Furthermore, by focusing on middle and high-end brands, these sales channels kept abreast with customers base of consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enabled the Company to introduce good customer experience and services to the consumers.

During the period, as the domestic market was still being affected by the COVID-19 pandemic, and taking into account market and credit risks, the Company continued to adopt a cautious approach to approve loan applications, increase the proportion of joint loans products and reduce the use of the Company's financial resources, resulting in a significant decline in average loan amounts. Therefore, although the number of loans disbursed by the Company increased during the period, the amount of new loans disbursed decreased. The Company's loan portfolio decreased by 29% to RMB4.11 billion as at 30 June 2021 from RMB5.75 billion as at 31 December 2020. For the six months ended 30 June 2021, the Company's net interest income amounted to RMB164 million, representing a decrease of 43% as compared to the same period of 2020. The Company's operating income amounted to RMB184 million in the first half of 2021, representing a decrease of 46% as compared to the same period of 2020. The Company recorded an unaudited net loss of approximately RMB260 million in the first half of 2021, as compared to the unaudited net profit of approximately RMB143 million in the corresponding period last year. The net loss was mainly due to (i) the decrease in new loans disbursed by the Company since 2020 due to the cautious approach adopted by the Company to approve loan applications under the impact of COVID-19 pandemic, coupled with adjustments of interest rate made by the Company for customers greatly affected by the pandemic since the second half of last year, which resulted in a decrease in total loan size and interest income; and (ii) the increase in the Company's allowances for impairment losses of approximately RMB383 million relating to its loans and advances to customers and finance lease receivables, etc. due to the negative impact of the COVID-19 pandemic on repayment capabilities of some of its customers.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of retail loan business, the Company disbursed a total of 5,170 retail loans throughout the first half of 2021, representing an increase of 207% over the same period of 2020. It was mainly due to the relatively low corresponding figures in the same period last year which was the most severe period amid the domestic pandemic. In spite of this, the amount of retail loans disbursed by the Company was RMB261 million, representing a decrease of 31% year-on-year. It was mainly because the Company increased the proportion of joint loans products and reduced the use of the Company's financial resources after taking into account market and credit risks. As a result, there was a significant decline in average loan amounts and a decrease in the amount of new loans disbursed.

In terms of dealer's loan business, as of 30 June 2021, the loan balance was RMB2.58 billion, which remained stable as compared to that at the end of 2020. For the six months ended 30 June 2021, the Company's average yield of dealer's loans decreased from 8.24% to 5.93%, which was mainly due to the adjustments of interest rate made by the Company for customers greatly affected by the pandemic.

	As at/For the six months ended 30 June	
	2021	2020
Amount of retail loans disbursed (<i>RMB million</i>)	261	379
Number of self-operated retail loans disbursed	5,170	1,686
Including: Standard self-operated loans	1,994	1,516
Joint loans	3,176	170
Gross outstanding loan balance (<i>RMB million</i>)	4,950	8,245
Including: Retail loans	2,369	5,622
Dealer's loans	2,581	2,623

MANAGEMENT DISCUSSION AND ANALYSIS

For the purposes of risk management, the Company has strengthened its risk management and control capacity with focuses on risk policies, big data risk control, risk monitoring and asset preservation. Owing to the severe impact by the pandemic, there were circumstances of overdue principals and interests for certain customers. Although the Company had closely communicated with relevant customers to provide additional credit enhancement measures, relevant loans were classified into non-performing loans according to applicable regulations and taking into account the repayment capabilities, repayment intention and corresponding implementation status of credit enhancement measures of the relevant customers. As at 30 June 2021, the Company's non-performing loan balance was RMB530 million, representing a significant increase from RMB22 million at the end of 2020; the Company's non-performing loan ratio was 10.70%. During the period, the Company's risk management focused on (1) continuously optimizing risk policies and management and control strategies, strengthening overall risk monitoring system including assets quality, risk cost, channel grading, risk investigation and post-loan review to better control the risk of non-performing loans for the newly disbursed loans; (2) introducing multi-dimensional external anti-fraud data and applying statistics principle and machine learning algorithms to optimize the big data risk control model and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers; (3) further strengthening the dynamic assessment of the risk status of dealers and enhancing the ability to dynamically identify, assess and monitor the credit level of borrowers.

	As at 30 June 2021	As at 31 December 2020
Non-performing loan (NPL) ratio	10.70%	0.36%
Loan provision rate	18.09%	7.35%
Provision coverage ratio	169.15%	2,037.81%

On 20 October 2020, the Company received the administrative decisions (the "Decisions") by the CBIRC Shanghai Office which stated that (i) the dealer auto loan business of the Company was carried out in serious violation of principle of prudent operation; (ii) ZhengTong obtained approval for the establishment of the Company by improper means; and (iii) ZhengTong and its related parties engaged in non-compliant related party transactions with the Company. According to the Decisions, the administrative approvals in respect of agreeing the capital contribution and capital increase by the controlling Shareholder have been revoked; the Company shall withdraw the equity interests in the Company held by ZhengTong, restrict the relevant shareholder's rights of ZhengTong; and the controlling Shareholder's benefits based on the revoked administrative approvals would not be protected. In addition, the CBIRC Shanghai Office ordered the Company to suspend the operation of the dealer auto loan business, imposed a fine of RMB2 million on the Company and issued a warning to Mr. Li Yi, the president of the Company. Since receiving the Decisions, the Company has conducted review and assessment towards dealer's loan business, retail loan business and related party transactions and formulated a working plan to rectify and implement the requirements set out in the Decisions. Details have been disclosed in the Company's announcement dated 7 December 2020. Regarding the withdrawal of Shareholder, the Company announced on 3 February, 3 March, 1 April, 3 May, 3 June, 5 July and 5 August 2021 that, as informed by ZhengTong, ZhengTong was in discussion with an independent potential purchaser (the "Potential Purchaser") regarding, amongst others, a potential disposal of the shares of the Company (the "Potential Disposal"). As far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income decreased by 43% to approximately RMB164 million for the six months ended 30 June 2021 from approximately RMB289 million for the six months ended 30 June 2020.

Set out below are the comparative figures for the six months ended 30 June 2021 and 2020.

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income		
Loans and advances to customers	210,962	439,960
Deposits with central bank and other banks	1,374	1,454
Finance lease receivables	739	1,937
	213,075	443,351
Interest expenses		
Placements from banks	(48,807)	(154,565)
	(48,807)	(154,565)
Net interest income	164,268	288,786

- Interest income: For the six months ended 30 June 2021, the Company recorded an interest income of approximately RMB213 million, representing a decrease of 51.9% as compared to approximately RMB443 million in the same period of 2020. The decrease in interest income was mainly due to the decrease in loan size, as well as a decrease in the yield of loans due to the market conditions. During the period, the average yield of retail loans was 9.13%, representing a decrease from 9.52% in the same period of 2020, while the average yield of dealer's loans decreased from 10.02% in the first half of 2020 to 5.93% in the first half of 2021.

	For the six months ended 30 June	
	2021 %	2020 %
Net interest margin	5.67	6.03
Average yield of loans and advances to customers	7.63	9.66
Including: average yield of retail loans	9.13	9.52
average yield of dealer's loans	5.93	10.02

MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expenses: Interest expenses of the Company decreased from approximately RMB155 million as at 30 June 2020 to approximately RMB49 million as at 30 June 2021, which was mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As at 30 June 2021, the Company's outstanding balance of placements from banks was approximately RMB0.94 billion (as at 31 December 2020: RMB2.03 billion). For the six months ended 30 June 2021, the average cost of interest-bearing liabilities was 6.37% (as at 30 June 2020: 6.10%).

	For the six months ended 30 June	
	2021	2020
	%	%
Average cost of interest-bearing liabilities	6.37	6.10
Average cost of additional new interest-bearing liabilities	6.15	6.31

Non-interest Income

For the six months ended 30 June 2021, the Company received non-interest income of approximately RMB20.1 million, representing a decrease of 59.5% as compared to that of approximately RMB49.6 million for the same period of 2020.

1. Net fee and commission income: Net fee and commission income of the Company for the six months ended 30 June 2021 was approximately RMB19.3 million. Set forth below is a detailed breakdown:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Fee and commission income		
Joint loan services	16,903	28,303
Consulting services	221	5,993
Others	2,578	5,907
Sub-total	19,702	40,203
Fee and commission expenses		
Bank charges	(417)	(477)
Sub-total	(417)	(477)
Net fee and commission income	19,285	39,726

The Company's net fee and commission income mainly consisted of non-interest income received by the Company for referral of retail customers to commercial banks or other financial institutions and provision of loan-related services. The Company's net fee and commission income for the six months ended 30 June 2021 amounted to RMB19.3 million, representing a decrease of 52% as compared to RMB39.7 million in the same period of 2020. The decrease in relevant income was because the Company focused on developing joint loans business during the period which resulted in reduction of referrals of customers to other financial institutions as well as the decrease in the Company's loan portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Other net income: In the first half of 2021, the Company's other net income amounted to approximately RMB0.8 million (for the six months ended 30 June 2020: RMB9.8 million).

Operating Expenses

The Company's operating expenses comprise staff cost, depreciation, amortization and other expenses. For the six months ended 30 June 2021, the Company's operating expenses amounted to approximately RMB55 million in aggregate, which remained flat as compared to approximately RMB55 million for the same period of 2020.

Impairment Loss

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorise the risk assets of the Company into three stages. For the six month ended 30 June 2021, the total provision of impairment loss amounted to approximately RMB475 million (for the six month ended 30 June 2020: RMB91 million). The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, and adjustments for forward-looking information. Based on the Company's assessment and taking into account the negative impact on repayment capabilities of some of its customers resulting from the COVID-19 pandemic, certain loans and other assets amounting to approximately RMB2.552 billion is considered having a significant increase in credit risk since initial recognition and should be classified as the second loss stage under the HKFRS 9 Expected Credit Loss Model; and certain loans and other assets amounting to approximately RMB0.566 billion is considered credit-impaired and should be classified as the third loss stage. As the provision ratios for second and third loss stages are higher than that for the first loss stage, the Company applied a higher overall provision ratio on the loans and receivables balances as at 30 June 2021 and recorded an increase in allowances for impairment losses. For further details, please refer to the table set out below:

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Loans and advances to customers	441,371	88,461
Finance lease receivables	(587)	2,849
Bills receivable	13,370	—
Other assets	20,409	—
Total	474,563	91,310

Net Loss

For the six months ended 30 June 2021, the Company recorded a net loss of approximately RMB260 million. The Company recorded a net profit of approximately RMB143 million in the same period of 2020.

Cash and Deposits with Central Bank

As at 30 June 2021, the Company's cash and deposits with central bank amounted to approximately RMB6 million (as at 31 December 2020: RMB5 million). The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company deposited 6% of the guarantee deposits and deposits from Shareholders to the statutory deposit reserves.

MANAGEMENT DISCUSSION AND ANALYSIS

Deposits with Banks

As at 30 June 2021, deposits with banks amounted to approximately RMB219 million, representing an increase of 143% as compared to approximately RMB90 million as at 31 December 2020. It is mainly due to the receipt of the loan repayment from customers by the Company.

Loans and Advances to Customers

As of 30 June 2021, net loans and advances to customers amounted to approximately RMB4.11 billion, representing a decrease of 29% as compared to approximately RMB5.75 billion at the end of 2020. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB2.37 billion, representing a decrease of 34% as compared to approximately RMB3.56 billion at the end of 2020, while the gross balance of dealer's loans amounted to approximately RMB2.58 billion, which remained flat as compared to approximately RMB2.58 billion as at 31 December 2020.

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Retail loans	2,368,797	3,563,067
Dealer's loans	2,581,294	2,581,294
Gross loans and advances to customers	4,950,091	6,144,361
Accrued interest	57,227	58,581
Less: Allowances for impairment loss	(895,709)	(451,667)
Net loans and advances to customers	4,111,609	5,751,275

Placements from Banks

The Company's placements from banks as at 30 June 2021 were approximately RMB0.94 billion, representing a decrease of 54% as compared to approximately RMB2.03 billion at the end of 2020, which was in line with the decrease in loan scale.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital, placements from commercial banks and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 30 June 2021, the Company's deposits with banks amounted to approximately RMB220 million, representing an increase of 143% as compared to approximately RMB90 million as at the end of 2020. The Company's placements from banks amounted to approximately RMB0.94 billion, representing a decrease of 54% as compared to approximately RMB2.03 billion as at the end of 2020. The Company's total facilities were over RMB1.416 billion and unutilised balance was over RMB484 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's capital adequacy ratio increased from 59.37% as at 31 December 2020 to 64.34% as at 30 June 2021.

	As at 30 June 2021	As at 31 December 2020
Core tier-one capital adequacy ratio	63.38%	58.38%
Tier-one capital adequacy ratio	63.38%	58.38%
Capital adequacy ratio	64.34%	59.37%
Liquidity ratio	215.71%	88.58%
Gearing ratio	23.39%	35.16%

Note: Gearing ratio = (Total liabilities/total assets) x 100%.

FOREIGN EXCHANGE RISK

As the Company carries out its business primarily in mainland China and settles in Renminbi, there are no material foreign exchange risks. As at 30 June 2021, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net position of approximately RMB37.0 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the six months ended 30 June 2021, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 30 June 2021, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

The Company has charged its assets as the security for bank financings to be used as working capital for daily operations. As at 30 June 2021, the Company's assets charged amounted to approximately RMB1,324.08 million (31 December 2020: RMB2,357.21 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Company did not have any plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2021, the Company had 194 employees in total, and most of the employees were located in the PRC. The Company has a team of highly educated and talented individuals. As at 30 June 2021, approximately 94.8% of the Company's employees held a bachelor's degrees or above, and 18% held a master's degree or above. For the six months ended 30 June 2021, total staff costs of the Company amounted to approximately RMB29.6 million (for the six months ended 30 June 2020: RMB32.8 million).

The Company endeavored to create a competitive and fair system for compensation and welfare, by adjusting employees' remuneration and benefits based on their business performance on an annual basis. The Company has been constantly improving its policies on remuneration and incentives and has also refined the long-term incentive scheme for employees and optimized the remuneration structure thereof to link employees' benefits to the overall business operation, for the purpose of enhancing employees' loyalty.

Apart from taking into account the advice from the remuneration and evaluation committee of the Board and the market levels, the Company also considers the respective competency, contributions and the responsibilities towards the Company in determining the level of remuneration for the Directors.

SIGNIFICANT LITIGATION AND ARBITRATION

During the six months ended 30 June 2021, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

CONTINGENT LIABILITIES

The Company did not have any material contingent liabilities as at 30 June 2021.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

During the second half of 2021, facing the rapidly changing market environment, the Company will provide more flexible, diverse, and innovative financial services by closely observing the market situation. The Company will promote its business with the use of new technologies as well as under risk control to support the development of the real economy of the automobile industry. The Company plans to continue to implement the following measures in the second half of 2021:

Firstly, it will make further dedication to the business of manufacturers and improve market penetration rate. It will strengthen the motivation of channel cooperation through professional training and in-store counseling, etc. Particularly, in the face of the rising trend of new energy vehicles, the Company will extensively explore cooperation opportunities with relevant car brands and seek financing opportunities along the new energy vehicle industry chain in order to provide for new business growth brought about by the upgrading of the consumer industry in the future.

Secondly, in terms of technology and finance, it will proactively develop online intelligent financial service technologies such as client-side financial applications, mini program of WeChat and public accounts of WeChat. Meanwhile, it will continue to expand third-party financial system interface aiming at carrying out utilitarian functions such as online advertising, automation of approval, agreement execution and loan disbursement processes and facilitation of repayment as well as improving user experience, enhancing product offerings and satisfying service demands.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own code of conduct regarding securities transaction by the Directors and the Supervisors on terms no less exacting than the required standard in the Model Code. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the above-mentioned code during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value and accountability of the Company. The Company has adopted the code provisions as set out under the Corporate Governance Code.

For the six months ended 30 June 2021, the Company has complied with all code provisions of the Corporate Governance Code.

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

During the six months ended 30 June 2021, the Company did not purchase, sell or redeem any of the Company's listed securities.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme as at 30 June 2021.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2021, none of the Directors, Supervisors, chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange under the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2021, the interests or short positions of the other persons (other than Directors, Supervisors, and the chief executive of the Company) in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司)	Unlisted Foreign Shares	Long	Beneficial owner ¹	1,520,000,000	100.00	71.04
Joy Capital Holdings Limited	Unlisted Foreign Shares	Long	Interest in a controlled corporation ²	1,520,000,000	100.00	71.04
Wang Muqing (王木清)	Unlisted Foreign Shares	Long	Founder of trusts ³	1,520,000,000	100.00	71.04
Wang Boheng (王博恆)	Unlisted Foreign Shares	Long	Founder of trusts ³	1,520,000,000	100.00	71.04
Dongfeng Motor Corporation (東風汽車集團有限公司)	Domestic Shares	Long	Beneficial owner	80,000,000	100.00	3.74
Xingtai Capital Management Limited	H Shares	Long	Investment manager ⁴	94,922,000	17.59	4.44
Global Precise Assets Limited	H Shares	Long	Beneficial owner	80,000,400	14.82	3.74
Xingtai China Master Fund	H Shares	Long	Beneficial owner	49,089,000	9.10	2.29
TX Capital (HK) Limited	H Shares	Long	Investment manager ⁵	44,948,000	8.33	2.10
Seahawk China Dynamic Fund	H Shares	Long	Beneficial owner	33,335,000	6.18	1.56
Canepa Funds ICAV Xingtai China Fund	H Shares	Long	Beneficial owner	27,000,000	5.00	1.26

Notes:

- These 1,520,000,000 Shares were registered in the name of and beneficially owned by China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司).
- According to the disclosure of interests form filed by Joy Capital Holdings Limited on 22 October 2020, China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司) is owned by Joy Capital Holdings Limited as to 51.29% and Joy Capital Holdings Limited is deemed under the SFO to be interested in the Shares held by China ZhengTong Auto Services Holdings Limited.
- Mr. Wang Muqing and Mr. Wang Boheng were the founders of the family trusts that own all the issued shares of Bright Brilliant Holdings Limited which wholly owns Joy Capital Holdings Limited, and were deemed under the SFO to be interested in the Shares held by Joy Capital Holdings Limited. Credit Suisse Trust Limited in Guernsey is the trustee of the family discretionary trust. The Wang family members are discretionary beneficiaries of these trusts.
- According to the disclosure of interests form filed by Xingtai Capital Management Limited on 12 January 2021, Xingtai Capital Management Limited held 94,922,000 H Shares in the capacity as an investment manager to Xingtai China Master Fund, Canepa Funds ICAV — XINGTAI CHINA FUND and Milltrust International Investments SPC — Milltrust Xingtai China Fund SP.
- According to the disclosure of interests form filed by TX Capital (HK) Limited on 31 July 2019, TX Capital (HK) Limited held 44,948,000 H Shares in the capacity as an investment advisor to TX Capital Value Fund. Accordingly, it is deemed to be interested in the H shares of the Company held by TX Capital Value Fund.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors, Supervisors and chief executive of the Company since the Company's 2020 annual report and up to the date of this interim report as notified to the Company, are set out below:

Ms. Liang Yanjun, an independent non-executive Director, is currently a partner at Javy Lawyers (北京嘉維律師事務所) (formerly known as Javy Tayn Lawyers (嘉維泰銀律師事務所), with the name change effective in 2021), a law firm in the PRC.

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

NON-COMPLIANCE WITH LISTING RULES

Following the resignation of Mr. Lin Zheyang from the position of independent non-executive Director since 30 June 2020, the Company failed to meet the following requirements: (i) the Board must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; and (ii) the composition of the Audit Committee under Rule 3.21 of the Listing Rules. The Company has applied and the Stock Exchange has granted a waiver from strict compliance with the abovementioned Listing Rules up to 31 August 2021.

As approved by the Shareholders during the annual general meeting of the Company held on 26 May 2021, Professor Qin Zheng ("Professor Qin") was elected as an independent non-executive Director. The appointment of Professor Qin as an independent non-executive Director is subject to the approval by the CBIRC on his qualification as the Director. The term of office of Professor Qin will commence from the date of approval by the CBIRC and end on the expiring of the second session of the Board. The Company is endeavoring to complete the appointment process.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 3 April 2019. The net proceeds from the global offering (including the exercise of the over-allotment option) amounted to HK\$1,552.3 million (approximately RMB1,368.97 million). There was no change in the intended use of net proceeds as previously disclosed in the supplemental prospectus dated 25 March 2019 of the Company. As at 30 June 2021, the Company had utilised the proceeds as follows:

Use of net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net proceeds as at 31 December 2019 (RMB million)	Utilised during the year ended 31 December 2020 (RMB million)	Unutilised net proceeds as at 31 December 2020 (RMB million)	Utilised during the six months ended 30 June 2021 (RMB million)	Unutilised net proceeds as at 30 June 2021 (RMB million)
Fund the self-operated retail loans to be disbursed to external customers	889.83	—	—	—	—	—
Develop network of external dealers	68.45	44.42	8.25	36.17	2.27	33.90
Fund self-operated retail loans to be disbursed to ZhengTong customers	205.34	—	—	—	—	—
Develop technological, operational and risk management capabilities	68.45	55.73	14.24	41.49	13.69	27.80
General working capital	136.90	—	—	—	—	—
Total	1,368.97	100.15	22.49	77.66	15.96	61.70

The unutilised net proceeds of approximately RMB61.70 million was placed in bank deposits with banks in the PRC and Hong Kong. The Company expects 55% and 45% of the unutilised net proceeds shall be utilised as intended by 31 December 2021 and 31 December 2022 respectively.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Potential disposal of the Company's shares by ZhengTong

The Company announced on 3 February 2021 that, as informed by ZhengTong, ZhengTong was in discussion with the Potential Purchaser regarding, amongst others, the Potential Disposal. As announced by the Company on 5 July and 5 August 2021, as far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

Potential disposal of ZhengTong's shares by its controlling shareholder

The Company announced on 20 October 2020 that, as informed by ZhengTong, on 19 October 2020, the controlling shareholder of ZhengTong, i.e. Joy Capital Holdings Limited ("Joy Capital") and Mr. Wang Muqing entered into a sale and purchase agreement (the "SPA") with Xiamen Xindeco Ltd. (廈門信達股份有限公司) ("Xindeco", as buyer). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of ZhengTong at a consideration of HK\$1,403,371,394 (the "Transaction").

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company further announced on 1 August 2021 that, the Company was informed by ZhengTong that upon negotiations between the parties, Xindeco had withdrawn from the Transaction and on 30 July 2021, Joy Capital entered into a supplemental sale and purchase agreement (the “Supplemental Agreement”) with the original parties and 廈門國貿控股集團有限公司 (Xiamen ITG Holding Group Co., Ltd.) (the “New Purchaser”) whereby the parties agreed (among other things) that the New Purchaser shall enjoy all such rights and assume all such obligations of Xindeco under the SPA and the number of shares of ZhengTong to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of ZhengTong as at the date of the Supplemental Agreement), at a total consideration of HK\$1,427,875,640.16. The completion of the Transaction is subject to fulfillment or waiver (as the case may be) of the conditions precedent set out in the SPA (as amended by the Supplemental Agreement), and the Transaction may or may not proceed. Please refer to the Company’s announcement dated 1 August 2021 for further details. As far as the Company is aware, the Transaction is still in process.

REVIEW OF ACCOUNTS

The Audit Committee comprises two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun. The unaudited interim financial report of the Company for the six months ended 30 June 2021 has been reviewed by the Company’s auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standards on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management and KPMG. Based on the review and discussions with the management, the Audit Committee was satisfied that the Company’s unaudited interim financial report was prepared in accordance with applicable accounting standards and fairly present the Company’s financial position and results for the period under review.

APPRECIATION

The Board would like to express its sincere gratitude to the management and employees for their diligence and contribution, and would also like to thank the Shareholders and business associates for their strong support to the Company.

On behalf of the Board
Shanghai Dongzheng Automotive Finance Co., Ltd.*
Lin Fan
Chairman

27 August 2021

INDEPENDENT REVIEW REPORT



Review report to the board of directors of
Shanghai Dongzheng Automotive Finance Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 60 which comprises the statement of financial position of Shanghai Dongzheng Automotive Finance Co., Ltd. (the “Company”) as of 30 June 2021 and the related statement of profit or loss and other comprehensive income and statement of changes in equity and cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Interest income		213,075	443,351
Interest expenses		(48,807)	(154,565)
Net interest income	3	164,268	288,786
Fee and commission income		19,702	40,203
Fee and commission expenses		(417)	(477)
Net fee and commission income	4	19,285	39,726
Other net income	5	772	9,828
Operating income		184,325	338,340
Operating expenses		(55,431)	(55,582)
Impairment losses		(474,563)	(91,310)
Finance costs		(719)	(1,025)
(Loss)/profit before taxation	6	(346,388)	190,423
Income tax	7	86,661	(47,702)
(Loss)/profit and total comprehensive income for the period		(259,727)	142,721
(Loss)/earnings per share			
Basic and diluted (RMB)	8	(0.1214)	0.0667

The notes on pages 22 to 60 form part of this interim financial report.

STATEMENT OF FINANCIAL POSITION

at 30 June 2021 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2021 (unaudited) RMB'000	At 31 December 2020 (audited) RMB'000
Assets			
Cash and deposits with central bank	9	6,258	5,025
Deposits with banks	10	219,243	90,396
Loans and advances to customers	11	4,111,609	5,751,275
Finance lease receivables	12	13,260	18,455
Bills receivable	13	120,333	—
Property and equipment	14	22,548	28,234
Intangible assets	15	9,266	11,337
Deferred tax assets	20(b)	233,896	112,503
Other assets	16	230,262	251,537
Total assets		4,966,675	6,268,762
Liabilities			
Placements from banks	17	942,759	2,033,911
Guarantee deposits	18	100,911	30,299
Lease liabilities	19	18,694	23,372
Current taxation	20(a)	6,690	18,379
Other liabilities	21	92,788	98,241
Total liabilities		1,161,842	2,204,202
NET ASSETS		3,804,833	4,064,560
CAPITAL AND RESERVES			
Share capital	22(c)	2,139,651	2,139,651
Reserves	22(d)	1,665,182	1,924,909
TOTAL EQUITY		3,804,833	4,064,560

Approved and authorised for issue by the board of directors on 27 August 2021.

Lin Fan

*Chairman of the Board of Directors
Executive Director*

Li Yi

*President and the principal person
in charge of accounting affairs*

The notes on pages 22 to 60 form part of this interim financial report.

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General risk reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020	2,139,651	1,173,857	84,192	156,047	455,828	4,009,575
Change in equity for the six months ended 30 June 2020:						
Profit and total comprehensive income for the period	—	—	—	—	142,721	142,721
Balance at 30 June 2020 and 1 July 2020 (unaudited)	2,139,651	1,173,857	84,192	156,047	598,549	4,152,296
Changes in equity for the six months ended 31 December 2020:						
1. Loss and total comprehensive income for the period	—	—	—	—	(87,736)	(87,736)
2. Appropriation of profits						
— Appropriation for surplus reserve 22(c)	—	—	5,498	—	(5,498)	—
Balance at 31 December 2020 (audited)	2,139,651	1,173,857	89,690	156,047	505,315	4,064,560
Change in equity for the six months ended 30 June 2021:						
Loss and total comprehensive income for the period	—	—	—	—	(259,727)	(259,727)
Balance at 30 June 2021 (unaudited)	2,139,651	1,173,857	89,690	156,047	245,588	3,804,833

The notes on pages 22 to 60 form part of this interim financial report.

CASH FLOW STATEMENTfor the six months ended 30 June 2021 — unaudited
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Operating activities			
(Loss)/profit before taxation		(346,388)	190,423
Adjustments for:			
Impairment losses	6(b)	474,563	91,310
Depreciation and amortisation	6(c)	8,275	9,493
Finance costs	6(c)	719	1,025
Changes in operating assets			
Net (increase)/decrease in deposits with central bank		(1,393)	158
Net increase in deposits with other banks		—	(523)
Net decrease in loans and advances to customers		1,196,941	1,803,900
Net decrease in finance lease receivables		5,782	16,331
Net increase in bills receivable		(133,703)	—
Net decrease/(increase) in other assets		2,203	(55,704)
Changes in operating liabilities			
Net decrease in placements from banks		(1,090,762)	(1,808,768)
Net increase/(decrease) in guarantee deposits		70,612	(2,109)
Net decrease in other liabilities		(4,951)	(104,783)
Cash generated from operations		181,898	140,753
Income tax paid	20(a)	(46,421)	(75,232)
Net cash generated from operating activities		135,477	65,521
Investing activity			
Payments for purchase of property and equipment and intangible assets		(1,409)	(8,494)
Net cash used in investing activity		(1,409)	(8,494)
Financing activities			
Capital element of lease rentals paid	23(b)	(4,678)	(4,513)
Interest element of lease rentals paid	23(b)	(719)	(1,025)
Net cash used in financing activities		(5,397)	(5,538)
Net increase in cash and cash equivalents		128,671	51,489
Cash and cash equivalents at 1 January	23	90,605	116,519
Cash and cash equivalents at 30 June	23	219,276	168,008

The notes on pages 22 to 60 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2020 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 17.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are first effective for the current accounting period of the Company:

- Amendment to HKFRS 16, *Covid-19-related rent concessions*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income arising from		
Loans and advances to customers	210,962	439,960
Deposits with central bank and other banks	1,374	1,454
Finance lease receivables	739	1,937
Sub-total	213,075	443,351
Interest expenses arising from		
Placements from banks	(48,807)	(154,565)
Sub-total	(48,807)	(154,565)
Net interest income	164,268	288,786

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Fee and commission income arising from		
Joint loan services	16,903	28,303
Consulting services	221	5,993
Others	2,578	5,907
Sub-total	19,702	40,203
Fee and commission expenses arising from		
Bank charges	(417)	(477)
Sub-total	(417)	(477)
Net fee and commission income	19,285	39,726

The Company derives its fee and commission income arising from its consulting services at a point in time; fee and commission income arising from its joint loan services over time.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

5 OTHER NET INCOME

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Net exchange gains/(losses)		425	(2,558)
Government grants	(a)	—	12,148
Others		347	238
Total		772	9,828

(a) The government grants were received unconditionally by the Company from the local government where it resides.

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries, bonuses and allowances	23,307	29,212
Other social welfare	3,346	2,403
Contributions to pension schemes	2,991	1,149
Total	29,644	32,764

(b) Impairment losses

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Loans and advances to customers	11(e)	441,371	88,461
Finance lease receivables	12(b)	(587)	2,849
Bills receivable	13	13,370	—
Other assets	16	20,409	—
Total		474,563	91,310

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

6 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation and amortisation		
— right-of-use assets	4,631	4,658
— intangible assets	2,321	3,222
— property and equipment	1,323	1,613
Professional service fees	6,995	4,493
Legal consultancy	3,397	1,479
Maintenance fees	3,109	1,619
Tax and surcharges	1,637	4,755
Office expenses	653	190
Travel expenses	547	316
Expense relating to short-term leases	50	69
Others	1,124	404
Sub-total	25,787	22,818
Finance costs	719	1,025
Total	26,506	23,843

7 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the statement of profit or loss and other comprehensive income represents:

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Current tax			
Provision for the period		34,875	34,870
Over-provision in respect of prior years		(143)	(143)
Subtotal	20(a)	34,732	34,727
Deferred tax			
Origination of temporary differences	20(b)	(121,393)	12,975
Total		(86,661)	47,702

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

7 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
(Loss)/profit before taxation:		(346,388)	190,423
Notional tax on (loss)/profit before taxation	(i)	(86,597)	47,606
Tax effect of non-deductible expenses		79	239
Over-provision in respect of prior years		(143)	(143)
Actual tax expense		(86,661)	47,702

(i) The Company is subject to PRC corporate income tax at the statutory tax rate of 25%.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of loss of RMB259,727 thousands (six months ended 30 June 2020: profit of RMB142,721 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2020: 2,139,651 thousands ordinary shares) in issue during the interim period, which is set out as follows:

	Six months ended 30 June	
	2021	2020
(Loss)/profit attributable to ordinary equity shareholders of the Company (RMB'000)	(259,727)	142,721
Weighted average number of ordinary shares issued (in thousands)	2,139,651	2,139,651
Basic and diluted earnings per share attributable to shareholders (RMB)	(0.1214)	0.0667

There were no dilutive potential ordinary shares for the six months ended 30 June 2021 or 2020. Therefore, diluted (loss)/earnings per share are equivalent to basic earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

9 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(a)	6,189	4,796
– Surplus deposit reserves	(b)	66	226
Sub-total		6,255	5,022
Accrued interest		3	3
Total		6,258	5,025

- (a) The Company places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with relevant regulations.

At 30 June 2021 and 31 December 2020, the statutory deposit reserve ratios applicable to the Company were as follows:

	At 30 June 2021	At 31 December 2020
Reserve ratio for deposits	6.0%	6.0%

The statutory deposit reserves are not available for the Company's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement.

10 DEPOSITS WITH BANKS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposits with banks	219,210	90,379
Accrued interest	33	17
Total	219,243	90,396

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

11 LOANS AND ADVANCES TO CUSTOMERS

(a) **Analysed by nature**

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Retail loans	2,368,797	3,563,067
Dealer's loans	2,581,294	2,581,294
Gross loans and advances to customers	4,950,091	6,144,361
Accrued interest	57,227	58,581
Sub-total	5,007,318	6,202,942
Less: Allowances for impairment losses	(895,709)	(451,667)
Net loans and advances to customers	4,111,609	5,751,275

As at 30 June 2021, the Company has pledged its retail loans amounting to RMB1.32 billion as collateral to certain placements from banks to the Company (31 December 2020: RMB2.36 billion).

(b) **Analysed by type of collateral**

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Collateralized loans	2,368,797	3,563,067
Guaranteed loans	2,581,294	2,581,294
Gross loans and advances to customers	4,950,091	6,144,361
Accrued interest	57,227	58,581
Less: Allowances for impairment losses	(895,709)	(451,667)
Net loans and advances to customers	4,111,609	5,751,275

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) **Overdue loans (excluding accrued interest) analysed by type of collateral and overdue period**

	At 30 June 2021					
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	Total RMB'000	
	Collateralized loans	42,072	7,104	5,062	857	55,095

	At 31 December 2020					
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	Total RMB'000	
	Collateralized loans	33,337	8,282	7,545	1,520	50,684

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans and advances to customers before any allowances for impairment losses.

As at 30 June 2021, interests amounting to RMB7,571 thousands of certain guaranteed loans due from customers were due and have not been settled on 30 June 2021. The relevant principal amount was RMB513,682 thousands as at 30 June 2021.

(d) **Analysed by methods for assessing allowances for impairment losses**

	At 30 June 2021			
	12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	Total RMB'000
	Gross loans and advances to customers (including accrued interest)	2,271,218	2,190,540	545,560
Less: Allowances for impairment losses	(18,758)	(543,604)	(333,347)	(895,709)
Net loans and advances to customers	2,252,460	1,646,936	212,213	4,111,609

	At 31 December 2020			
	12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	Total RMB'000
	Gross loans and advances to customers (including accrued interest)	3,524,437	2,656,341	22,164
Less: Allowances for impairment losses	(64,203)	(366,087)	(21,377)	(451,667)
Net loans and advances to customers	3,460,234	2,290,254	787	5,751,275

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Movements of allowances for impairment losses

	Note	Six months ended 30 June 2021			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2021		64,203	366,087	21,377	451,667
Transferred to:					
– 12-month ECL		1,516	(1,175)	(341)	–
– lifetime ECL for not credit-impaired		(1,164)	1,212	(48)	–
– lifetime ECL for credit-impaired		(125)	(130,765)	130,890	–
(Reversal)/charge for the period	6(b)	(45,672)	308,245	178,798	441,371
Write-off for the period		–	–	(18,184)	(18,184)
Recovery after write-off		–	–	20,855	20,855
At 30 June 2021		18,758	543,604	333,347	895,709

	Note	Year ended 31 December 2020			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2020		112,932	38,459	39,973	191,364
Transferred to:					
– 12-month ECL		400	(352)	(48)	–
– lifetime ECL for not credit-impaired		(95,421)	95,421	–	–
– lifetime ECL for credit-impaired		(2,658)	(2)	2,660	–
Charge for the year	6(b)	48,950	232,561	87,915	369,426
Write-off for the year		–	–	(134,520)	(134,520)
Recovery after write-off		–	–	25,397	25,397
At 31 December 2020		64,203	366,087	21,377	451,667

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

12 FINANCE LEASE RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Minimum finance lease receivables	19,110	25,687
Less: Unearned finance lease income	(839)	(1,634)
Present value of finance lease receivables	18,271	24,053
Less: Allowances for impairment losses	(5,011)	(5,598)
Total	13,260	18,455

(a) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	At 30 June 2021		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Within 1 year (inclusive)	14,626	(690)	13,936
After 1 year but within 2 years (inclusive)	4,472	(149)	4,323
After 2 years but within 3 years (inclusive)	12	—	12
Sub-total	19,110	(839)	18,271
Less: Allowances for impairment losses			(5,011)
Total			13,260

	At 31 December 2020		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Within 1 year (inclusive)	16,042	(1,186)	14,856
After 1 year but within 2 years (inclusive)	8,405	(420)	7,985
After 2 years but within 3 years (inclusive)	1,240	(28)	1,212
Sub-total	25,687	(1,634)	24,053
Less: Allowances for impairment losses			(5,598)
Total			18,455

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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12 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Movements of allowances for impairment losses are as follows:

	Note	Six months ended 30 June 2021			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2021		196	531	4,871	5,598
Transferred to:					
– 12-month ECL		136	(136)	–	–
– lifetime ECL for not credit-impaired		(1)	1	–	–
(Reversal)/charge for the period	6(b)	(232)	(382)	27	(587)
At 30 June 2021		99	14	4,898	5,011

	Note	Year ended 31 December 2020			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2020		388	795	3,950	5,133
Transferred to:					
– 12-month ECL		74	(74)	–	–
– lifetime ECL for not credit-impaired		(4)	4	–	–
– lifetime ECL for credit-impaired		(3)	–	3	–
(Reversal)/charge for the year	6(b)	(259)	(194)	1,018	565
Write-off for the year		–	–	(100)	(100)
At 31 December 2020		196	531	4,871	5,598

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13 BILLS RECEIVABLE

As of the end of the reporting period, the ageing analysis of commercial bills receivable is as follows:

		At 30 June 2021 RMB'000
Within 1 month (inclusive)		30,239
After 1 month but within 3 months (inclusive)		9,456
After 3 months but within 6 months (inclusive)		94,008
Sub-total		133,703
Less: Allowances for impairment losses		(13,370)
Total		120,333
		Allowances for impairment losses RMB'000
At 1 January 2021		—
Charge for the period	Note 6(b)	13,370
At 30 June 2021		13,370

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14 PROPERTY AND EQUIPMENT

(a) Carrying amount

	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use carried at cost RMB'000	Total RMB'000
Cost:					
At 1 January 2020	4,085	1,082	14,427	49,304	68,898
Additions	289	—	1	—	290
Disposals	(7)	—	—	(13,092)	(13,099)
At 31 December 2020	4,367	1,082	14,428	36,212	56,089
Additions	137	—	138	—	275
Disposals	(20)	(22)	—	—	(42)
At 30 June 2021	4,484	1,060	14,566	36,212	56,322
Accumulated depreciation:					
At 1 January 2020	(2,176)	(756)	(6,207)	(19,227)	(28,366)
Charge for the year	(691)	(122)	(2,330)	(9,290)	(12,433)
Disposals	3	—	—	12,941	12,944
At 31 December 2020	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Charge for the period	(293)	(27)	(1,003)	(4,631)	(5,954)
Disposals	14	21	—	—	35
At 30 June 2021	(3,143)	(884)	(9,540)	(20,207)	(33,774)
Net book value:					
At 30 June 2021	1,341	176	5,026	16,005	22,548
At 31 December 2020	1,503	204	5,891	20,636	28,234

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14 PROPERTY AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Properties leased for own use carried at cost	16,005	20,636

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	4,631	4,658
Finance costs (Note 6(c))	719	1,025
Expense relating to short-term leases	50	69

15 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2020	37,828
Additions	361
At 31 December 2020	38,189
Additions	250
At 30 June 2021	38,439
Accumulated amortisation:	
At 1 January 2020	(21,316)
Charge for the year	(5,536)
At 31 December 2020	(26,852)
Charge for the period	(2,321)
At 30 June 2021	(29,173)
Net book value:	
At 30 June 2021	9,266
At 31 December 2020	11,337

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(Expressed in thousands of Renminbi, unless otherwise stated)

16 OTHER ASSETS

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Other receivables	(a)	234,645	236,473
Prepayments	(b)	21,769	19,997
Interest receivables		2,802	5,154
Deductible value-added tax		2,714	—
Others		150	1,322
Less: Allowances for impairment losses	(c)	(31,818)	(11,409)
Total		230,262	251,537

(a) Other receivables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Receivables from related party dealers due to third-party loans cancellation	228,188	228,188
Deposits	3,413	3,413
Commission receivables of joint loans	3,044	4,872
Total	234,645	236,473

As at 30 June 2021, the ageing of receivables from related party dealers due to third-party loans cancellation is more than 3 months but within 1 year. (31 December 2020: more than 3 months but within 1 year).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

16 OTHER ASSETS (CONTINUED)

(b) Prepayments

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments to dealers	15,000	15,000
Other prepayments	6,769	4,997
Total	21,769	19,997

(c) Movements of allowances for impairment losses are as follows:

	Note	Allowances for impairment losses RMB'000
At 1 January 2020		—
Charge for the period		11,409
At 31 December 2020		11,409
Charge for the period	6(b)	20,409
At 30 June 2021		31,818

17 PLACEMENTS FROM BANKS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Placements from banks		
— secured	822,040	1,333,000
— unsecured	109,974	689,776
Accrued interest	10,745	11,135
Total	942,759	2,033,911

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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18 GUARANTEE DEPOSITS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposits provided by dealers for dealer's loans	94,008	19,738
Deposits from finance lease clients	4,092	5,995
Deposits provided by dealers for retail business	2,811	4,566
Total	100,911	30,299

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Company's lease liabilities:

	At 30 June 2021		At 31 December 2020	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year (inclusive)	10,793	11,187	10,628	11,017
After 1 year but within 2 years (inclusive)	6,654	7,345	9,066	10,023
After 2 years but within 3 years (inclusive)	1,247	1,444	3,678	4,332
	7,901	8,789	12,744	14,355
	18,694	19,976	23,372	25,372
Less: total future interest expenses		(1,282)		(2,000)
Present value of lease liabilities		18,694		23,372

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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20 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Balance at the beginning of the period/year		18,379	70,961
Provision for current income tax for the period/year	7(a)	34,732	76,637
Payment during the period/year		(46,421)	(129,219)
Balance at the end of the period/year		6,690	18,379

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Allowances for impairment losses RMB'000	Subsidies for retail loans RMB'000	Depreciation charge of right-of-use assets RMB'000	Total RMB'000
Balance at 1 January 2020	25,520	28,754	578	54,852
Charged/(credited) to profit or loss	77,187	(19,633)	97	57,651
Balance at 31 December 2020	102,707	9,121	675	112,503
Charged/(credited) to profit or loss	122,231	(826)	(12)	121,393
Balance at 30 June 2021	224,938	8,295	663	233,896

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

21 OTHER LIABILITIES

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Other payables	(a)	91,306	96,550
Advance receipts		1,482	1,691
Total		92,788	98,241

(a) Other payables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Payables of joint loans	41,149	34,910
IPO service fees payable	25,835	26,132
Brokerage fees payable	11,408	11,539
Employee benefits payable	5,960	11,921
Accruals	3,871	5,257
Tax and surcharges and other taxation payable	884	3,399
Others	2,199	3,392
Total	91,306	96,550

22 CAPITAL AND RESERVES

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Company's equity is set out in the statement of changes in equity.

(b) Dividends

No dividend was declared or paid to equity shareholders of the Company attributable to six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(c) Nature and purpose of reserves

(i) Surplus reserve

The surplus reserve represents statutory surplus reserve fund. Pursuant to the Company Law of the PRC and the Articles of Association of the Company, the Company is required to appropriate 10% of its net profit as on an annual basis determined under PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)**22 CAPITAL AND RESERVES (CONTINUED)****(c) Nature and purpose of reserves (Continued)****(i) Surplus reserve (Continued)**

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserve may be used to offset previous years' losses, if any, and may be converted into capital.

(ii) General risk reserve

Pursuant to "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance of the PRC, the Company is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The general risk reserve balance of the Company as at 30 June 2021 amounted to RMB156,047 thousands (31 December 2020: RMB156,047 thousands), which has reached the requirement.

(d) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability of sustainable development, so that it can continue to provide returns and benefits for shareholders, by pricing services commensurate with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be accompanied by higher risk levels of borrowings and the advantages and stability resulted from a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Company's approach to capital management during the reporting period.

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22 CAPITAL AND RESERVES (CONTINUED)

(d) Capital management (Continued)

The Company calculates the capital adequacy ratios as at 30 June 2021 and 31 December 2020 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former China Banking Regulatory Commission (the “CBRC”) in 2012 and relevant requirements promulgated by the China Banking and Insurance Regulatory Commission (the “CBIRC”) as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Core tier-one capital		
— Share capital	2,139,651	2,139,651
— Capital reserve	1,173,857	1,173,857
— Surplus reserve	89,690	89,690
— General risk reserve	156,047	156,047
— Retained earnings	245,588	505,315
Total core tier-one capital	3,804,833	4,064,560
Core tier-one capital deductions		
— Net value of intangible asset after deduction of related deferred income tax liabilities	(9,266)	(11,337)
Net core tier-one capital	3,795,567	4,053,223
Net tier-one capital	3,795,567	4,053,223
Tier-two capital		
— Surplus provision for loan impairment	56,983	68,770
Net tier-two capital	56,983	68,770
Net capital base	3,852,550	4,121,993
Credit risk-weighted assets	4,615,651	5,570,340
Operational risk-weighted assets	1,372,488	1,372,488
Total risk-weighted assets	5,988,139	6,942,828
Core tier-one capital adequacy ratio	63.38%	58.38%
Tier-one capital adequacy ratio	63.38%	58.38%
Capital adequacy ratio	64.34%	59.37%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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23 NOTES TO CASH FLOW STATEMENTS

(a) Cash and cash equivalents comprise

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deposit reserves with central bank	9	66	226
Deposits with banks within original maturity of three months or less		219,210	90,379
Cash and cash equivalents in the cash flow statements		219,276	90,605

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

	IPO service fees payable (Note 21(a)) RMB'000	Lease liabilities (Note 19) RMB'000	Total RMB'000
At 1 January 2021	26,132	23,372	49,504
Changes from financing cash flows:			
Capital element of finance lease rentals paid	—	(4,678)	(4,678)
Interest element of finance lease rentals paid	—	(719)	(719)
Total changes from financing cash flows	—	(5,397)	(5,397)
Exchange adjustment	(297)	—	(297)
Other change:			
Finance costs (Note 6(c))	—	719	719
At 30 June 2021	25,835	18,694	44,529

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23 NOTES TO CASH FLOW STATEMENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	IPO service fees payable (Note 21(a)) RMB'000	Lease liabilities (Note 19) RMB'000	Total RMB'000
At 1 January 2020	32,962	32,388	65,350
Changes from financing cash flows:			
Capital element of finance lease rentals paid	—	(8,900)	(8,900)
Interest element of finance lease rentals paid	—	(1,899)	(1,899)
Payments for listing expenses	(5,185)	—	(5,185)
Total changes from financing cash flows	(5,185)	(10,799)	(15,984)
Exchange adjustment	(1,645)	—	(1,645)
Other changes:			
Finance costs (Note 6(c))	—	1,899	1,899
Increase in lease liabilities from entering into new leases during the year	—	(116)	(116)
Total other changes	—	1,783	1,783
At 31 December 2020	26,132	23,372	49,504

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)**24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate, currency and operational risks arises in the normal course of the Company's business. The Company's exposure to these risks and the financial risk management policies and practice used by the Company to manage these risks are described below.

(a) Credit risk**(i) Management of credit risk**

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations or commitment to the Company provided. It arises primarily from the Company's auto retail and dealer's loan credit business and finance lease business.

In accordance with the requirements of external regulatory and related system, the Company has formulated operation rules of credit risk grading, credit risk operation, credit business approval, interview and collection for loans and advances to customers, finance lease receivables, bills receivable and other assets according to credit risk management. The work of Company's credit risk management runs through all aspects of pre credit investigation, credit business approval and post-credit management sessions. During the pre-credit investigation session, the Company will carry out a credit background survey of the borrower. During the approval session, all the credit business must be approved by the corresponding approver. During the post-credit management session, the Company will continue to monitor all the loans and advances to customers, finance lease receivables, bills receivable and other assets and take corresponding measures for any negative events that may affect the borrower's repayment ability in order to prevent and control the risk.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of each reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimize credit risk, the Company has tasked its risk management department to develop and maintain the Company's financial assets credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the risk management department uses other publicly available financial information and the Company's own trading records to rate its counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) **Credit risk (Continued)**

(ii) *Assessing credit risk of financial assets*

The Company adopts the Five-tier risk classification approach to manage its credit risk arising from loans and advances to customers, finance lease receivables, bills receivable and other assets. They are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk.

The Company's current credit risk grading framework in respect of financial assets also comprises the following categories:

Category	Description	Basis of recognizing ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL for not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL for credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

For the six months ended 30 June 2021, the Company has written off loans and advances to customers of RMB18,184 thousands (six months ended 30 June 2020: RMB105,399 thousands) and finance lease receivables of 0 (six months ended 30 June 2020: 0) as the Company had identified these debtors have financial difficulties.

For deposits with banks, loans and advances to customers and interest receivables, the Company has identified multiple economic scenarios to consider the risk or probability that a credit loss occurs by weighting these different scenarios. Different economic scenarios will lead to a different probability of default.

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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Assessing credit risk of financial assets (Continued)

The following table provides information about the Company's exposure to credit risk and ECLs for loans and advances to customers, finance lease receivables, bills receivable and other assets based on the Company's provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Company's different customer bases.

	At 30 June 2021								
	Loans and advances to customers		Finance lease receivables		Bills receivable		Other assets		Total
	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000
Gross balances are assessed for 12-month ECL									
– Neither overdue nor credit-impaired (including accrued interest)	2,271,218		13,305		–		18,892		2,303,415
Allowances for impairment losses	(18,758)		(99)		–		–		(18,857)
Net balances	2,252,460	0.83%	13,206	0.74%	–	NA	18,892	NA	2,284,558
Gross balances are not credit-impaired and assessed for lifetime ECL									
– Overdue but not credit-impaired	39,228		68		–		–		39,296
– Neither overdue nor credit-impaired (including accrued interest)	2,151,312		–		133,703		228,188		2,513,203
Sub-total	2,190,540		68		133,703		228,188		2,552,499
Allowances for impairment losses	(543,604)		(14)		(13,370)		(22,818)		(579,806)
Net balances	1,646,936	24.82%	54	20.59%	120,333	10.00%	205,370	10.00%	1,972,693
Gross balances are credit-impaired and assessed for lifetime ECL									
– Overdue and credit-impaired	15,867		4,898		–		–		20,765
– Not overdue but credit-impaired	529,693		–		–		15,000		544,693
Sub-total	545,560		4,898		–		15,000		565,458
Allowances for impairment losses	(333,347)		(4,898)		–		(9,000)		(347,245)
Net balances	212,213	61.10%	–	100.00%	–	NA	6,000	60.00%	218,213
Book value	4,111,609		13,260		120,333		230,262		4,475,464

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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Assessing credit risk of financial assets (Continued)

	At 31 December 2020						Total RMB'000
	Loans and advances to customers		Finance lease receivables		Other assets		
	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	
Gross balances are assessed for 12-month ECL							
– Neither overdue nor credit- impaired (including accrued interest)	3,524,437		15,565		19,758		3,559,760
Allowances for impairment losses	(64,203)		(196)		–		(64,399)
Net balances	<u>3,460,234</u>	1.82%	<u>15,369</u>	1.26%	<u>19,758</u>	NA	<u>3,495,361</u>
Gross balances are not credit-impaired and assessed for lifetime ECL							
– Overdue but not credit- impaired	28,520		3,617		–		32,137
– Neither overdue nor credit- impaired (including accrued interest)	2,627,821		–		243,188		2,871,009
Sub-total	2,656,341		3,617		243,188		2,903,146
Allowances for impairment losses	(366,087)		(531)		(11,409)		(378,027)
Net balances	<u>2,290,254</u>	13.78%	<u>3,086</u>	14.68%	<u>231,779</u>	4.69%	<u>2,525,119</u>
Gross balances are credit- impaired and assessed for lifetime ECL							
– Overdue and credit-impaired	22,164		4,871		–		27,035
Allowances for impairment losses	(21,377)		(4,871)		–		(26,248)
Net balances	<u>787</u>	96.45%	<u>–</u>	100.00%	<u>–</u>	NA	<u>787</u>
Book value	<u>5,751,275</u>		<u>18,455</u>		<u>251,537</u>		<u>6,021,267</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

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

Currently, the Company's main sources of funds are paid-in capital, placements from banks and the principal and interest charged by the loan service. Under the circumstance of insufficient source of capital cash, principal and interest received by loan service, the main method to supply liquidity is placements from banks. The funds are mostly used to disburse loans and to maintain daily operations of the Company. The use of funds also includes repayment of placements from banks and related interest expenses.

The following tables provide an analysis of the remaining contractual maturities, which are based on contractual undiscounted cash flows of the financial assets and liabilities of the Company at the end of the reporting periods.

	At 30 June 2021							Carrying amount RMB'000
	Repayable on demand/ terms undated RMB'000	Within one month RMB'000	Between one month and three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000		
Financial assets								
Cash and deposits with central bank	6,258	—	—	—	—	6,258	6,258	
Deposits with banks	219,243	—	—	—	—	219,243	219,243	
Loans and advances to customers	35,084	207,695	551,003	2,641,954	924,964	4,360,700	4,111,609	
Finance lease receivables	—	810	1,619	7,225	4,445	14,099	13,260	
Bills receivable	—	4,255	53,363	62,715	—	120,333	120,333	
Other assets	230,262	—	—	—	—	230,262	230,262	
Total	490,847	212,760	605,985	2,711,894	929,409	4,950,895	4,700,965	
Financial liabilities								
Placements from banks	—	(438,395)	(314,060)	(199,720)	—	(952,175)	(942,759)	
Guarantee deposits	(96,888)	(403)	(441)	(1,321)	(1,859)	(100,912)	(100,911)	
Lease liabilities	—	(910)	(1,820)	(8,457)	(8,789)	(19,976)	(18,694)	
Other liabilities	(49,274)	(3,174)	(4,531)	(17,495)	(15,948)	(90,422)	(90,422)	
Total	(146,162)	(442,882)	(320,852)	(226,993)	(26,596)	(1,163,485)	(1,152,786)	
Net position	344,685	(230,122)	285,133	2,484,901	902,813	3,787,410	3,548,179	

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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

	At 31 December 2020							Carrying amount RMB'000
	Repayable on demand/ terms undated RMB'000	Within one month RMB'000	Between				Total RMB'000	
			one month and three months RMB'000	three months and one year RMB'000	Between one year and five years RMB'000	RMB'000		
Financial assets								
Cash and deposits with central bank	5,025	—	—	—	—	5,025	5,025	
Deposits with banks	90,396	—	—	—	—	90,396	90,396	
Loans and advances to customers	20,461	267,726	913,945	3,573,863	1,447,715	6,223,710	5,751,275	
Finance lease receivables	96	893	1,786	8,037	9,277	20,089	18,455	
Other assets	251,537	—	—	—	—	251,537	251,537	
Total	367,515	268,619	915,731	3,581,900	1,456,992	6,590,757	6,116,688	
Financial liabilities								
Placements from banks	—	(680,701)	(588,123)	(768,431)	—	(2,037,255)	(2,033,911)	
Guarantee deposits	(24,372)	—	(1,240)	(2,390)	(2,297)	(30,299)	(30,299)	
Lease liabilities	—	(1,471)	(2,941)	(6,605)	(14,355)	(25,372)	(23,372)	
Other liabilities	(58,241)	(3,963)	(5,097)	(14,097)	(11,753)	(93,151)	(93,151)	
Total	(82,613)	(686,135)	(597,401)	(791,523)	(28,405)	(2,186,077)	(2,180,733)	
Net position	284,902	(417,516)	318,330	2,790,377	1,428,587	4,404,680	3,935,955	

(c) Interest rate risk

The interest rate risk of the Company mainly comes from credit business and inter-bank borrowings. The interest-bearing financial instruments of fixed rate and variable rate make the Company face fair value interest rate risk and cash flow interest rate risk, respectively. The Company's risk management committee reviews and supervises market operational risks.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

— *Fair value interest rate risk*

The Company does not hold any interest-bearing financial instruments of fixed interest measured at fair value, so the increase or decrease of interest rate would not influence the Company's profit or loss after taxation and equity through the change of fair value.

— *Cash flow interest rate risk*

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Increase/(decrease) in profit or loss after taxation and retained profits		
Interest rates increase by 100 bps	1,480	626
Interest rates decrease by 100 bps	(1,480)	(626)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how profit or loss after taxation and equity would have been affected by repricing of the Company's assets and liabilities within the one-year period. The analysis does not take into account the effect of (i) the twisted shift in the yield curve with the changes in interest rates; (ii) risk management measures taken by the management. The analysis is also based on the assumption that there are no other changes to the portfolio and all positions will be retained and rolled over upon maturity.

(d) Currency risk

The Company's functional currency is RMB. Except for the deposits with banks, which includes the proceeds from issuance of shares upon H-shares offering, there is no material currency risk for the Company as the majority of the business activities are within mainland China and settle in RMB. The currency giving rise to this risk is primarily Hong Kong Dollars (HKD). As most of the proceeds from issuance of shares upon public offering and over-allotment are converted into RMB by the Company during the reporting period and the remaining proceeds will be used to develop the Company's loan business, the currency risk is assessed to be low.

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24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(i) Exposure to currency risk

	Exposure to foreign currencies (expressed in RMB thousand)			
	At 30 June 2021		At 31 December 2020	
	USD	HKD	USD	HKD
Deposits with banks	51	226	52	247
Other liabilities	—	(37,243)	—	(37,671)
Net position	51	(37,017)	52	(37,424)

(ii) Sensitivity analysis

The following table indicates the instantaneous changes in the Company's profit or loss after taxation and equity that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Changes in profit or loss after taxation and equity		
Foreign exchange rate increase by 100 bps	(277)	(280)
Foreign exchange rate decrease by 100 bps	277	280

The foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB on the closing rate of reporting date.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Company's profit or loss after taxation and equity measured in the respective foreign currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks arise from all of the Company's operations.

The Company has set a series of policies and procedures in the context of internal control measures to identify, evaluate, control, manage and report operational risk. This mechanism involves all the business aspects, hence the Company could identify all inherent operational risk of activities, processes and systems.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At the end of the reporting period, the Company has no financial assets and liabilities measured at fair value and the carrying amounts of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values.

25 MATERIAL RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Company and its related parties during the reporting period. 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 Company and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Company that had balances and/or transactions with the Company during the reporting period.

Company	Relationship
China ZhengTong Auto Services Holdings Limited ("ZhengTong")	Parent Company
Baoding Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Baotou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Baotou Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Baozhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing BWWR Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing SCAS North China Automobile Services Co., Ltd.	Fellow subsidiary
Beijing SCAS Zhongguan Automobile Sales Co., Ltd.	Fellow subsidiary
Beijing Zhengtong Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Changsha Ruibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Chengdu Qibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Chenzhou Ruibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Dingze Insurance Agency Co., Ltd.	Fellow subsidiary
Dongguan Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Dongguan Jieyunhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Dongguan Liabu SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

Company	Relationship
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd.	Fellow subsidiary
Dongguan SCAS Automobile Sales Service Co., Ltd	Fellow subsidiary
Foshan Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Foshan Dingbaohang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Foshan Baoyunhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Fujian SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Fuzhou Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Ganzhou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Guangdong SCAS Automobile Sales Service Co., Ltd.	Fellow subsidiary
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Guangzhou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Guangzhou Baotaihang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hainan SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Henan Jintangsheng Automobile Co., Ltd.	Fellow subsidiary
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hubei Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hubei Bocheng Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hubei Changze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hubei Jierui Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hubei Xinrui Automobile Sales Services Co., Ltd.	Fellow subsidiary
Huhhot Jieyun Automobile Sales Services Co., Ltd.	Fellow subsidiary
Huhhot Infiniti Automobile Sales Services Co., Ltd.	Fellow subsidiary
Hunan SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Inner Mongolia Dingze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Inner Mongolia Dingjie Automobile Trading Co., Ltd.	Fellow subsidiary
Jiangxi Deao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Jieyang Dingjie Automobile Sales Services Co., Ltd.	Fellow subsidiary
Jieyang Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Jingmen Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Langfangshi Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Nanchang Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Qingdao Huacheng Automobile Services Co., Ltd.	Fellow subsidiary
Qingdao Aoze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd.	Fellow subsidiary
Qingyuan SCAS Toyota Motor Sales Services Co., Ltd.	Fellow subsidiary
Shantou Hongxiang Materials Co., Ltd.	Fellow subsidiary
Shantou Lujie Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shanghai Aohui Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shanghai Luda Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shanghai Shenxie Automobile Trading Co., Ltd.	Fellow subsidiary
Shanghai Qize Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shanghai Qibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shangrao Baoze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shantou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in thousands of Renminbi, unless otherwise stated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Names and relationships with related parties (Continued)

Company	Relationship
Shenzhen Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Chixing Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Baotaihang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Electric Machinery Co., Ltd.	Fellow subsidiary
Shengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Suzhou Anzhixing Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin Automobile Industry SCAS Sales Co., Ltd.	Fellow subsidiary
Weihai Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Zhengtong United Industrial Investment Group Co., Ltd.	Fellow subsidiary
Wuhan Zhengtong Yuechi Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Kaitai Automobile Sales Services Co., Ltd.	Fellow subsidiary
Xiangtan Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yichang Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yichun Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yiwu Xinhui Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yongkang Guobang Automobile Sales Co., Ltd.	Fellow subsidiary
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhengzhou Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhongshan SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai SCAS Jielu Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd.	Fellow subsidiary

(b) Significant transactions with related parties

In the opinion of the executive directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Company and the respective parties.

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Subsidies receipt for retail loans	(i)	97	852
Interest income	(i)	52,756	118,803
Operating expenses		(50)	(73)
Additions of bills receivable from fellow subsidiary	(ii)	145,524	—
Decrease of bills receivable from fellow subsidiary	(ii)	(11,821)	—

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties (Continued)

- (i) Subsidies receipt for retail loans included subsidies received from the automaker which are settled through related parties pursuant to the pass-through arrangement. Interest income included the subsidies amortised to the income statement during the reporting period.
- (ii) In the first half of 2021, the Company received commercial bills of RMB145,524 thousands from its fellow subsidiary Wuhan Zhengtong United Industrial Investment Group Co., Ltd., of which 1) RMB94,008 thousands was applied to supplement guarantee deposits for dealer's loans of dealers controlled by China ZhengTong Auto Services Holding Limited ("ZhengTong dealers"); 2) RMB41,318 thousands was applied to settle the dealer's loan interests due from ZhengTong dealers; and 3) RMB10,198 thousands was applied to settle the dealer's loan interests due from other dealers. Up to 30 June 2021, commercial bills amounted to RMB11,821 thousands has been settled.

(c) Balances with related parties

As at the end of the reporting period, the Company had the following balances with related parties:

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Assets			
Dealer's loans (including accrued interest)	(i), (iii)	1,463,705	1,465,015
Subsidies for retail loans	(ii)	(5,255)	(13,678)
Mortgage service fees	(ii)	352	510
Bills receivable	(iii), 25(b)(ii)	133,703	—
Receivables from related party dealers due to loans cancellation	(iii)	228,188	228,188
Other assets		345	345
Liabilities			
Guarantee deposits	25(b)(ii)	(94,008)	—
Other liabilities		(1,042)	(932)
Off-balance sheet item			
Guarantees received for dealer's loans	(iv)	1,463,705	1,465,015

- (i) The Company granted extension to certain dealer's loan borrowers affected by COVID-19 to defer the loan interest payment by a quarter and defer the dealer's loan principal, which including dealer's loans principal and accrued interest with related parties amounted to RMB1,440,044 thousands and RMB23,661 thousands as of 30 June 2021, respectively. (31 December 2020: amounted to RMB1,440,044 thousands and RMB24,971 thousands, respectively).
- (ii) The subsidies for retail loans and mortgage service fees are initially recognised in loans and receivables at amortised method.
- (iii) Loss allowances of RMB182,560 thousands have been made on these balances as at 30 June 2021 (31 December 2020: RMB83,411 thousands).
- (iv) The guarantees were provided by fellow subsidiaries of the Company for repayment of dealer's loans. These guarantees expire on the same date as the related loans.

All balances with related parties are related to main business of the Company except for other liabilities due to fellow subsidiaries amounting to RMB1,042 thousands and RMB932 thousands as of 30 June 2021 and 31 December 2020, respectively.

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Directors and key management personnel remuneration

Remuneration for key management personnel of the Company is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Remuneration of key management personnel	4,302	4,087

26 SEGMENT REPORTING

(a) Business segment

The Company manages its businesses by business segments. In a manner consistent with the way in which information is reported internally to the Company's most senior executive management for the purposes of resource allocation and performance assessment, the Company has presented the following reportable segments:

- Retail business: this segment represents the Company's retail business provided to automotive end customers. The Company's retail business facilitates its customers' purchase of passenger vehicles. These products and services include direct loans where the Company issues automobile retail loans to customers with its own funding and charge interests on the loans, loan facilitation services, joint loan arrangement and direct lease services;
- Dealer's loan business: This segment represents the Company's dealer's loans provided to automobile dealers to facilitate their purchase of vehicles and accessories; and
- Others: These represent any other business which cannot form a single reportable segment.

	Six months ended 30 June 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	103,988	58,906	1,374	164,268
Net fee and commission income	19,285	—	—	19,285
Other net income	—	—	772	772
Operating income	123,273	58,906	2,146	184,325
Operating expenses	(37,092)	(18,339)	—	(55,431)
Reversal/(charge) of impairment losses	28,406	(502,969)	—	(474,563)
Finance costs	(481)	(238)	—	(719)
Profit/(loss) before taxation	114,106	(462,640)	2,146	(346,388)
Other segment information				
— Depreciation and amortisation	5,538	2,737	—	8,275

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26 SEGMENT REPORTING (CONTINUED)

(a) Business segment (Continued)

	At 30 June 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	2,550,627	1,911,940	504,108	4,966,675
Reportable segment liabilities/total liabilities	(554,830)	(532,708)	(74,304)	(1,161,842)
	Six months ended 30 June 2020			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	201,791	85,541	1,454	288,786
Net fee and commission income	39,726	—	—	39,726
Other net income	—	—	9,828	9,828
Operating income	241,517	85,541	11,282	338,340
Operating expenses	(40,415)	(15,167)	—	(55,582)
Impairment losses	(78,262)	(13,048)	—	(91,310)
Finance costs	(745)	(280)	—	(1,025)
Profit before taxation	122,095	57,046	11,282	190,423
Other segment information				
— Depreciation and amortisation	6,902	2,591	—	9,493
	At 31 December 2020			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	3,715,297	2,282,560	270,905	6,268,762
Reportable segment liabilities/total liabilities	(1,427,606)	(675,022)	(101,574)	(2,204,202)

(b) Geographical information

Geographically, the Company conducts its business in the PRC. The non-current assets are located in the PRC as well.

(c) Information about major customers

During the reporting period, there was no revenue from transactions with a single external customer amounting to 10% or more of the Company's total revenue.

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27 CONTINGENCIES

The Company did not have any material contingent liabilities at the end of the reporting period (as at 31 December 2020: Nil).

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Potential disposal of the Company's shares by China ZhengTong Auto Services Holdings Limited ("the parent company")

The Company announced on 3 February 2021 that, as informed by the parent company, it was in discussion with an independent potential purchaser regarding, amongst others, a potential disposal of the shares of the Company (the "Potential Disposal"). As announced by the Company on 5 July and 5 August 2021, as far as the Company is aware, no decision has been made on whether to proceed with the Potential Disposal, no formal agreements have been entered into in respect of the Potential Disposal, and the discussion and negotiation were still in progress, therefore the Potential Disposal may or may not proceed.

Potential disposal of the parent company's shares by its controlling shareholder

The Company announced on 20 October 2020 that, as informed by the parent company, on 19 October 2020, the controlling shareholder of the parent company, i.e. Joy Capital Holdings Limited ("Joy Capital") and Mr. Wang Muqing entered into a sale and purchase agreement (the "SPA") with Xiamen Xindeco Ltd. (廈門信達股份有限公司)("Xindeco", as buyer). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the parent company at a consideration of HK\$1,403,371,394 (the "Transaction").

The Company further announced on 1 August 2021 that, the Company was informed by the parent company that upon negotiations between the parties, Xindeco had withdrawn from the Transaction and on 31 July 2021, Joy Capital entered into a supplemental sale and purchase agreement (the "Supplemental Agreement") with the original parties and 廈門國貿控股集團有限公司 (Xiamen ITG Holding Group Co., Ltd.) (the "New Purchaser") whereby the parties agreed (among other things) that the New Purchaser shall enjoy all such rights and assume all such obligations of Xindeco under the SPA and the number of shares of the parent company to be transferred under the SPA has been adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the parent company as at the date of the Supplemental Agreement), at a total consideration of HK\$1,427,875,640.16. The completion of the Transaction is subject to fulfilment or waiver (as the case may be) of the conditions precedent set out in the SPA (as amended by the Supplemental Agreement), and the Transaction may or may not proceed.

As of the date of approval of these interim financial statements, as far as the Company is aware, the Transaction is still in process.

29 COMPARATIVE FIGURES

For disclosure purpose of the interim financial report, certain comparative figures have been adjusted to conform to current year's presentation.

DEFINITIONS

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

“Audit Committee”	audit committee of the Board
“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shanghai Office”	the Shanghai Office of the CBIRC
“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd*. (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Stock Exchange (stock code: 2718)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“H Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, and for the purpose of this report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supervisor(s)”	member(s) of the supervisory committee of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“ZhengTong”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a controlling shareholder of the Company, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (stock code: 1728)
“%”	per cent.