



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 2022



*For identification purposes only

CONTENT

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	14
Independent Review Report	20
Statement of Profit or Loss and Other Comprehensive Income	21
Statement of Financial Position	22
Statement of Changes in Equity	23
Cash Flow Statement	24
Notes to the Unaudited Interim Financial Report	25
Definitions	65



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
Professor Qin Zheng (appointed on 30 August 2022)

BOARD OF SUPERVISORS

Mr. Li Huihua (*Chairman*)
Ms. Wu Liyue (appointed on 14 June 2022)
Ms. Wang Qing
Mr. Li Tao (resigned on 14 June 2022)

AUDIT COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)
Ms. Liang Yanjun
Professor Qin Zheng (appointed on 30 August 2022)

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

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

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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Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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. 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 PRC.

In the first half of 2022, due to shortage of chips supplies, rising cost of raw materials and outbreak of the COVID-19 pandemic in areas such as Jilin, Shanghai etc, there has been relatively significant impact on industry chain and supply chain for the automobile industry in the PRC. According to the China Association of Automobile Manufacturers, in the first half of 2022, the vehicles production and sales volume in China decreased by 3.7% and 6.6%, respectively, whilst the production and sales volume of passenger vehicles increased by 6.0% and 3.4%, respectively as compared to the corresponding period in 2021.

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 2022, there are 25 (31 December 2021: 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. For the six months ended 30 June 2022, the Company's partnership-based dealer network covered more than 200 cities in China. As at 30 June 2022, the Company has 955 (31 December 2021: 930) partnership-based dealers in total. Furthermore, by focusing on sales to middle and high-end brands, these sales channels enable close engagement with an upgraded consumption demographic. The strength of the Company's sales network and reasonably established market presence has enabled the Company to introduce good customer experience and services to the consumers.

Having considered the overall economic environment, industry situation and the pandemic etc, the Company has been prudently managing business risks, focusing on improving loan quality and reducing loan portfolio since 2021. For the six months ended 30 June 2022, the number and amount of retail loans disbursed by the Company decreased, the amount of loans disbursed being RMB63 million, representing a decrease of 76% as compared with RMB261 million in the same period of last year. In addition, in response to the fluctuation in the overall domestic credit environment, the Company reduced its loan portfolio as well as the need for external financing, and kept placements from bank to zero in the first half of 2022.

As a result, the Company's loan portfolio decreased by 8.5% to RMB2.23 billion as at 30 June 2022 from RMB2.44 billion as at 31 December 2021. For the six months ended 30 June 2022, the Company's net interest income amounted to RMB80 million, representing a decrease of 51% as compared to the same period of 2021. The Company's operating income amounted to RMB85 million in the first half of 2022, representing a decrease of 54% as compared to the same period in last year. The Company recorded a net profit of RMB305 million in the first half of 2022 as compared to a net loss of RMB260 million in the same period of 2021. The major reason leading to the turnaround of the Company was, based on the assessment of the Company on the recoverability of its loans and advances to customers and bills receivable, including the repayment of certain overdue receivables from customers of approximately RMB1.7 billion during the period up to the date of this report in 2022, the Company recorded a reversal of impairment losses of approximately RMB452 million for the six months ended 30 June 2022 as compared to a provision for impairment losses of approximately RMB475 million for the corresponding period last year. However, such improvement was partly offset mainly by the decrease in net interest income. Based on the assessment of the economic situation and credit risks, as well as the impact of the pandemic, the Company has adopted a more cautious approach and has been gradually reducing its loan portfolio since 2021, leading to a decrease in net interest income of approximately RMB84 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has a diverse customer base. As at 30 June 2022, the Company has a total of 21,828 customers (including 21,745 retail loan customers and 83 dealer's loan customers).

In terms of retail loans, the Company disbursed a total of 254 retail loans in the first half of 2022, representing a decrease of 95% as compared with the corresponding period of 2021. The amount of loan disbursed was RMB63 million, representing a decrease of 76% as compared with the corresponding period of 2021. The decrease was mainly due to the impact of the pandemic, and the cautious loan disbursement strategy adopted by the Company.

In terms of dealer's loan business, no loan was disbursed in the first half of 2022 due to the suspension of the dealer's loan business by the Company. As of 30 June 2022, the loan balance was RMB2.55 billion, representing a decrease of 1% as compared with the end of 2021.

	For the six months ended 30 June	
	2022	2021
Amount of retail loans disbursed (RMB million)	63	261
Number of self-operated retail loan disbursed	254	5,170
Including: Standard self-operated loans	253	1,994
Joint loans	1	3,176

For the purposes of risk management, the Company has established and will continue to improve the company-wide credit risk management system to identify, assess, measure, monitor, mitigate and control risks that may arise from each step of its loan disbursement process. The Company has also developed standardized policies and procedures for loan application review and approval, loan disbursement as well as post-disbursement management.

The Company's overall credit risk management are reflected through a variety of measures under different phases, including but not limited to:

Loan application review and approval phase

- screening and processing loan application materials (including, among others, the applicants' identity card, criminal records, business license (if any), driver's license and other requisite application materials such as the applicants' financial information, work information and address information); and conducting necessary preliminary authentication of the identity of the loan applicants by the Company's Loan Review & Approval Department
- performing due diligence exercise including searches on public records and third-party databases (such as the national enterprise credit information, Ministry of Public Security identity information platform, etc.) by the Company's Loan Review & Approval Department; carrying out on-site and/or off-site inspection, etc. on the accuracy and completeness of loan application materials submitted by loan applicants, in order to assess the authenticity of the applicant's identity, the authenticity of the purchase, and the applicant's willingness and ability to repay the loan
- approving, denying or granting conditional approval to the loan applications based on the review of the loan applicants' credit profile or credit line by the Company's Loan Review & Approval Department, the Loan Approval Committee, the Risk Management Committee and/or the Board

MANAGEMENT DISCUSSION AND ANALYSIS

Loan disbursement phase

- executing and entering into loan agreements and proceeding with loan disbursements

Post-disbursement management phase

- actively monitoring the loans after disbursement by the Company's Risk Management Department and customer service is provided by the Company's Operational Department for non-overdue loans
- implementing various loan collection processes, via its own loan collection team and independent third-party collection agencies, in accordance with the risks of relevant customers including:
 - the Company's Asset Management Department will send SMS messages and/or make phone calls to customers to remind the customers concerned in relation to the loan repayment date (typically for overdue over 1 day)
 - the Company's Asset Management Department will conduct on-site visits and issue demand letters to customers (typically for overdue over 11 days)
 - the Company's Asset Management Department will engage third party collection agencies to take the lead in collecting repayment including making follow-up phone calls to customers and conducting on-site visits (typically for overdue over 31 days)
 - the Company's Legal Department will take appropriate actions such as initiating legal proceedings including litigation and/or arbitration against the relevant customers as well as the guarantor(s), enforcing court judgements and applying to court for assets preservation orders (depending on the facts and circumstances of each case, such as the customer's willingness to repay and risk characteristics, the previous collection status, the necessity of asset preservation and other factors)

In the actual loan collection process, the Company will formulate the most practical and effective loan collection plan according to the risk characteristics of the clients.

The Company has also strengthened its risk management and control capacity with focuses on risk policies, big data risk control, risk monitoring and asset preservation. The Company classified loans and advances to customers in accordance with the Guideline for Risk-based Loan Classification (《貸款風險分類指引》) issued by CBIRC and the HKFRS 9 Expected Credit Loss Model, based on cautious assessments of its customers' conditions including repayment history, overdue status, repayment capabilities, repayment intention and implementation status of credit enhancement measures of the relevant customers. As of 30 June 2022, the Company's nonperforming loan balance was RMB1.21 billion (31 December 2021: RMB1.21 billion), whereby the nonperforming loan ratio was 34.50% (31 December 2021: 29.49%). 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 rules and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers; and (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 and continuing to enhance post-loan management and asset preservation for remaining loans.

MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2022	As at 31 December 2021
Non-performing loan (NPL) ratio (60+)	34.50%	29.49%
Loan provision rate	36.71%	40.56%
Provision coverage ratio*	106.43%	137.54%

* According to the Administrative Measures for the Loan Loss Reserves of Commercial Banks (Order No.4 2011 of the China Banking Regulatory Commission, "Administrative Measures for the Loan Loss Reserves") (《商業銀行貸款損失準備管理辦法》(中國銀行業監督管理委員會令2011年第4號)), the Company, as a banking financial institution, is required to make provision under the Administrative Measures for the Loan Loss Reserves, i.e. the provision coverage ratio shall reach the basic standard of 150%. In accordance with the requirement under the Administrative Measures for the Loan Loss Reserves, the Company's allowances for impairment losses for loans would be increased by approximately RMB529 million.

Enforcement of Administrative Decision and Completion of the Acquisition

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, on 29 January 2022, the Company was informed by ZhengTong that on 29 January 2022, ZhengTong received a ruling on administrative proceeding and a notice of property preservation (collectively, the "Relevant Rulings") issued by Shanghai Financial Court of the PRC. According to the Relevant Rulings, a collegial panel constituted by the Shanghai Financial Court has completed its examination and ruled that: (i) the Administrative Decision of CBIRC Shanghai Office (Hu Yin Bao Jian Tong [2020] No. 41) (the "Administrative Decision") be enforced, whereby ZhengTong's equity interests in the Company be liquidated through auction; and (ii) a preservation ruling (the "Freezing Ruling") be imposed over ZhengTong's equity interests in the Company, being 1.52 billion unlisted shares in the Company and any dividends held in the Company for a period between 26 January 2022 and 25 January 2025 (the "Freezing Period").

In addition, the Company received a notice of assistance in enforcement ((2022) Hu 74 Cai Bao No. 1) issued by Shanghai Financial Court of the PRC on 30 January 2022 (the "Notice of Assistance in Enforcement"), which stated that the Company is required to assist in enforcing the following matters: (a) before the Company implements any capital increase, capital reduction, merger, demerger, etc. that will have a significant impact on the proportion of the shares held by ZhengTong in the Company that are the subject of the Freezing Ruling and the value thereof, the Company shall report the relevant information to Shanghai Financial Court of the PRC; and (b) preservation of any dividends, bonuses and other proceeds which may be payable by the Company to ZhengTong, and the Company shall notify Shanghai Financial Court of the PRC when such proceeds are due. The preservation period shall be three years from the receipt of the Notice of Assistance in Enforcement. Any direct payment or payment in other forms made by the Company to ZhengTong after the imposition of the Freezing Ruling shall not affect Shanghai Financial Court's claim against the Company for such payment. The Company has complied with and will continue to comply with the requirements of the Administrative Decision and the Notice of Assistance in Enforcement throughout the Freezing Period.

MANAGEMENT DISCUSSION AND ANALYSIS

On 19 May 2022, SAIC Motor Corporation Limited (the “Offeror” or “SAIC Motor”) won the auction at the bid price of RMB1,606,812,970 (equivalent to HK\$1,899,101,391) to acquire the 1.52 billion Unlisted Foreign Shares (the “Acquisition”). On 4 August 2022, the Offeror has completed the Acquisition and become the controlling Shareholder. The Offeror will be required to make unconditional mandatory general offers in cash (the “Offers”) for all the issued Domestic Shares and H Shares not already owned or agreed to be acquired by the Offeror and its concert parties in accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the “Takeovers Code”). The Offeror and the Company intend to jointly despatch the composite document comprising the offer document from the Offeror, the response document from the Board, details of the Offers (including the expected timetable and terms of the Offers), a letter of recommendation from the independent board committee of the Board to the independent Shareholders in relation to the Offers, a letter of advice from the independent financial adviser in relation to the Offers and the forms of acceptance etc. to the Shareholders in accordance with the requirements of the Takeovers Code. Further announcement(s) will be jointly made by the Offeror and the Company in relation to the timing of despatch of the composite document. For details, please refer to the joint announcements of the Company and the Offeror dated 26 May 2022, 13 June 2022, 5 August 2022 and 11 August 2022.

FINANCIAL REVIEW

Net Interest Income

The Company’s net interest income decreased by 51% to approximately RMB80 million for the six months ended 30 June 2022 from approximately RMB164 million for the six months ended 30 June 2021.

Set out below are the comparative figures for the six months ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022 RMB’000	2021 RMB’000
Interest income		
Loans and advances to customers	76,400	210,962
Deposits with central bank and other banks	3,690	1,374
Finance lease receivables	212	739
	80,302	213,075
Interest expenses		
Placements from banks	—	(48,807)
	—	(48,807)
Net interest income	80,302	164,268

MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income: For the six months ended 30 June 2022, the Company recorded an interest income of approximately RMB80 million, representing a decrease of 62% as compared to approximately RMB213 million in the same period of 2021. The decrease in interest income was mainly due to the decrease in loan size.
2. Interest expenses: For the six months ended 30 June 2022, the Company did not record interest expenses (for the six months ended 30 June 2021: approximately RMB49 million), which was mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As at 30 June 2022, the Company's outstanding balance of placements from banks was nil (as at 31 December 2021: nil).

Non-interest Income

1. Net fee and commission income: Net fee and commission income of the Company for the six months ended 30 June 2022 was approximately RMB11 million. Set forth below is a detailed breakdown:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Fee and commission income		
Joint loan services	10,397	16,903
Consulting services	—	221
Others	329	2,578
Sub-total	10,726	19,702
Fee and commission expenses		
Bank charges	(164)	(417)
Sub-total	(164)	(417)
Net fee and commission income	10,562	19,285

The Company's net fee and commission income mainly consisted of non-interest income received by the Company for the provision of joint-loan-related services. The Company's net fee and commission income for the six months ended 30 June 2022 amounted to approximately RMB11 million, representing a decrease of 45% as compared to approximately RMB19 million in the same period of 2021, which was due to the decrease in relevant income as a result of the decrease in the Company's loan portfolio.

2. Other net (expenses)/income: In the first half of 2022, the Company recorded other net expenses of approximately RMB6 million (for the six months ended 30 June 2021: other net income of approximately RMB0.8 million), which mainly comprised the exchange loss and other expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Expenses

The Company's operating expenses comprised staff cost, depreciation and amortization etc. For the six months ended 30 June 2022, the Company's operating expenses amounted to approximately RMB52 million in aggregate, representing a decrease of 6.4% as compared to approximately RMB55 million for the same period of 2021. It was mainly due to the decrease in business of the Company which resulted in the decrease in the number of employees and related expenses.

(Reversal)/charge of Impairment Losses

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 months ended 30 June 2022, the Company recorded a reversal of impairment losses amounted to approximately RMB452 million (for the six months ended 30 June 2021: impairment losses of RMB475 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. The categorisation of loss stages is based on the number of days past due for each risk assets where (i) non-overdue assets are classified as the first loss stage; (ii) assets overdue within a period of 60-day (including the 60th day) are classified as the second loss stage; and (iii) assets overdue over for a period of 60-day are classified as the third loss stage. In addition to the aforementioned periods, the Company may also downgrade the loss stage on rare occasions according to, among others, information available concerning the relevant customers. Based on the Company's cautious assessment including the repayment of certain overdue receivables from customers of approximately RMB1.7 billion during the period up to the date of this report in 2022, the Company applied a lower overall provision ratio on the loans and receivables balances as at 30 June 2022 and recorded reversal of impairment losses. For further details, please refer to notes 11 and 23(a) to the financial statements and the table set out below:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Loans and advances to customers	(376,088)	441,371
Finance lease receivables	3,024	(587)
Bills receivable	(75,235)	13,370
Other assets	(3,775)	20,409
Total	(452,074)	474,563

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit/(Loss)

For the six months ended 30 June 2022, the Company recorded a net profit of approximately RMB305 million. The Company recorded a net loss of approximately RMB260 million in the same period of 2021.

Cash and Deposits with Central Bank

As at 30 June 2022, the Company's cash and deposits with central bank amounted to approximately RMB0.5 million (as at 31 December 2021: RMB0.5 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 has deposited the statutory deposit reserves.

Deposits with Banks

As at 30 June 2022, deposits with banks amounted to approximately RMB1.09 billion, representing an increase of 328% as compared to approximately RMB0.26 billion as at 31 December 2021. It was mainly due to the receipt of the loan repayment from customers by the Company.

Loans and Advances to Customers

As of 30 June 2022, net loans and advances to customers amounted to approximately RMB2.23 billion, representing a decrease of 8.5% as compared to approximately RMB2.44 billion at the end of 2021. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB0.97 billion, representing a decrease of 36% as compared to approximately RMB1.52 billion at the end of 2021, while the gross balance of dealer's loans amounted to approximately RMB2.55 billion, representing a decrease of 1% as compared to approximately RMB2.58 billion as at 31 December 2021.

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Retail loans	970,273	1,516,458
Dealer's loans	2,551,809	2,581,294
Gross loans and advances to customers	3,522,082	4,097,752
Accrued interest	2,341	4,226
Less: Allowances for impairment loss	(1,293,068)	(1,662,084)
Net loans and advances to customers	2,231,355	2,439,894

MANAGEMENT DISCUSSION AND ANALYSIS

Key terms of the Company's loan agreements include:

	For retail loan business	For dealer's loan business
1. Principal amount	A fixed amount as set out in the loan agreement.	Revolving loans.
2. Interest rate	<p>a. Fixed interest rate: the Loan Prime Rate published by the National Interbank Funding Center ("LPR") plus/minus a rate adjustment, which are fixed throughout the term upon signing of the loan agreement; or</p> <p>b. Floating interest rate: the LPR (which may be reset during the term of the contract) plus/minus a rate adjustment.</p>	
3. Repayment terms	<p>Repayment types include:</p> <p>a. fixed monthly instalment;</p> <p>b. fixed monthly principal repayment;</p> <p>c. balloon repayment; and</p> <p>d. other repayment schedule as agreed otherwise.</p> <p>Late repayment may result in a 50% increase of the loan interests.</p>	<p>Repayment after sale of car; or repayment upon the expiry of the loan term.</p> <p>Late repayment may result in a 50% increase of the loan interests.</p>
4. Use of loan proceeds	The loan proceeds shall be used for the purchase of cars (including surcharges such as vehicle insurance, vehicle purchase tax, auto parts and accessories, and extended warranty).	The loan proceeds shall be used for the purchase of cars.
5. Security interests	The Company may request vehicle mortgage, third-party guarantee, and additional collateralized assets depending on the circumstances.	
6. Termination	<p>In event of a breach of the loan agreement by the customers, the Company would be authorised under the agreement to, among others:</p> <ul style="list-style-type: none"> request additional guarantee; accelerate the loan repayment date, such as declaring that all borrowings are immediately due or be repaid within a time limit; and terminate the agreement unilaterally. 	

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 30 June 2022, the Company's deposits with banks amounted to approximately RMB1.09 billion, representing an increase of 328% as compared to approximately RMB0.26 billion as at the end of 2021. The Company's balance of placements from banks was nil (31 December 2021: nil).

The Company's capital adequacy ratio increased from 68.37% as at 31 December 2021 to 88.11% as at 30 June 2022.

	As at 30 June 2022	As at 31 December 2021
Core tier-one capital adequacy ratio	87.20%	67.42%
Tier-one capital adequacy ratio	87.20%	67.42%
Capital adequacy ratio	88.11%	68.37%
Liquidity ratio	2,208.75%	2,143.02%
Gearing ratio	2.91%	4.48%

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 2022, the Company had certain net deposits with banks and other liabilities denominated in foreign currencies of approximately RMB38 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the six months ended 30 June 2022, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

As at 30 June 2022 and 31 December 2021, there were no charges on the Company's assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2022, 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 2022, the Company had 153 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 2022, approximately 96% of the Company's employees held a bachelor's degrees or above, and 20% held a master's degree or above. For the six months ended 30 June 2022, total staff costs of the Company amounted to approximately RMB25 million (for the six months ended 30 June 2021: RMB30 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 2022, 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 2022.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

Though facing pressures from different aspects from the automobile industry during the first half of 2022, with the support of the national automobile industry development strategy and the introduction of local policies promoting automobile consumption, there has been relative significant improvement in the sales of automobile since June 2022 and the confidence for consumption market gradually resumed. Meanwhile, the Company also noted that the sales of new energy vehicles grew amid negative market trend, evidenced by remarkable increase in the market share. Looking into the second half of 2022, the Company will closely monitor the introduction of industry-related policies and promptly analyze the economic environment and credit market situation. The Company shall, under strict risk assessment, enhance loan disbursement efforts and strengthen cooperation with automobile brands. The Company will also develop innovative and customized financial products for new energy vehicles to pursue new business growth.

On the other hand, SAIC Motor has formally become the controlling Shareholder since 4 August 2022. As one of the leading automotive groups in China, the Company believes that with the support of SAIC Motor's financing capabilities as a state-owned platform and business resources as an automobile manufacturer, it could create synergy and provide extensive customer base for the Company as well as promote the development of the Company's automotive finance business. Meanwhile, the Company's capabilities on corporate governance, financing, serving the real economy with quality financial products and services, risk management and control, and comprehensive operational management would be enhanced.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022.

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 2022, 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 2022, 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 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2022, the interests and short positions of the Directors, Supervisors and chief executive of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of 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 were as follows:

(i) Interest in Associated Corporation

Name	Title	Name of associated corporation	Capacity/Nature of interest	Class of shares	Number of shares	Approximate percentage of shareholding in the class of shares in issue of the associated corporation (%)
Mr. Li Huihua	Chairman of the Board of Supervisors	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司) ⁽¹⁾	Beneficial owner	Ordinary shares	204,413 (L) ⁽²⁾	0.01

Notes:

- (1) ZhengTong, a former controlling shareholder of the Company, held 1,520,000,000 Unlisted Foreign Shares.
- (2) The letter "L" denotes the person's long position in the relevant shares.

Save as disclosed above, as at 30 June 2022, 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 2022, 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		Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
		positions	Capacity			
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	1,520,000,000	100.00	71.04
SAIC Motor Corporation Limited* (上海汽車集團股份有限公司)	Unlisted Foreign Shares	Long	Beneficial owner ¹	1,520,000,000	100.00	71.04
Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)有限公司)	Unlisted Foreign Shares	Long	Interest of corporation controlled by substantial shareholder ¹	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 ²	94,922,000	17.59	4.44
Global Precise Assets Limited	H Shares	Long	Beneficial owner	80,000,400	14.82	3.74
UBS Group AG	H Shares	Long	Interest of corporation controlled by substantial shareholder	72,351,313	13.41	3.38
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 ³	44,948,000	8.33	2.10
Canepa Funds ICAV Xingtai China Fund	H Shares	Long	Beneficial owner	27,000,000	5.00	1.26

Notes:

1. According to the disclosure of interests form filed by Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)有限公司) on 23 May 2022, SAIC Motor Corporation Limited* (上海汽車集團股份有限公司) is held as to 67.82% by Shanghai Automotive Industry Corporation (Group)* (上海汽車工業(集團)有限公司) which is deemed under the SFO to be interested in the Shares held by SAIC Motor Corporation Limited* (上海汽車集團股份有限公司).
2. 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.
3. 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 held by TX Capital Value Fund.

Save as disclosed above, as at 30 June 2022, 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 2021 annual report and up to the date of this report as notified to the Company, are set out below:

On 31 May 2022, Mr. Wong Man Chung Francis, an independent non-executive Director, has resigned as an independent non-executive Director of GCL Technology Holdings Limited (stock code: 3800, formerly known as GCL-Poly Energy Holdings Limited).

The annual director's remuneration of Mr. Koh Tee Choong, a non-executive Director, has been revised to HK\$330,000 with effect from 1 January 2022. Mr. Koh's remuneration is determined with reference to his experience, qualification and duties.

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 for, and the Stock Exchange has granted, a further waiver to the Company to extend the grace periods under Rules 3.11 and 3.23 of the Listing Rules to 31 August 2022 to comply with Rules 3.10(1) and 3.21 of the Listing Rules.

Following the appointment of Professor Qin Zheng as an independent non-executive Director and a member of the Audit Committee on 30 August 2022, the Company has complied with the requirements of Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

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 2022, 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 2021 (RMB million)	Utilised during the six months ended 30 June 2022 (RMB million)	Unutilised net proceeds as at 30 June 2022 (RMB million)
Fund the self-operated retail loans to be disbursed to external customers	889.83	—	—	—
Develop network of external dealers	68.45	5.92	1.02	4.90
Fund self-operated retail loans to be disbursed to ZhengTong customers	205.34	—	—	—
Develop technological, operational and risk management capabilities	68.45	22.07	9.22	12.85
General working capital	136.90	—	—	—
Total	1,368.97	27.99	10.24	17.75

The unutilised net proceeds of approximately RMB17.75 million was placed in bank deposits with banks in the PRC and Hong Kong. The Company expects the unutilised net proceeds shall be fully utilised as intended by 31 December 2022.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 27 to the financial statements, the Board is not aware of any significant and important events requiring disclosure that have taken place subsequent to 30 June 2022 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2022 on 25 August 2022. The unaudited interim financial report of the Company for the six months ended 30 June 2022 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 (comprising two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun at the relevant time) 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

31 August 2022

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 21 to 64 which comprises the statement of financial position of Shanghai Dongzheng Automotive Finance Co., Ltd. (the "Company") as of 30 June 2022 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 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

31 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Interest income		80,302	213,075
Interest expenses		—	(48,807)
Net interest income	3	80,302	164,268
Fee and commission income		10,726	19,702
Fee and commission expenses		(164)	(417)
Net fee and commission income	4	10,562	19,285
Other net (expenses)/income	5	(5,504)	772
Operating income		85,360	184,325
Operating expenses		(51,870)	(55,431)
Reversal/(charge) of impairment losses		452,074	(474,563)
Finance costs		(388)	(719)
Profit/(loss) before taxation	6	485,176	(346,388)
Income tax	7	(179,874)	86,661
Profit/(loss) and total comprehensive income for the period		305,302	(259,727)
Earnings/(loss) per share			
Basic and diluted (RMB)	8	0.1427	(0.1214)

The notes on pages 25 to 64 form part of this interim financial report.

STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
Assets			
Cash and deposits with central bank	9	489	487
Deposits with banks	10	1,092,452	255,403
Loans and advances to customers	11	2,231,355	2,439,894
Finance lease receivables	12	457	4,616
Bills receivable	13	—	175,548
Property and equipment	14	10,956	16,591
Intangible assets	15	5,355	7,417
Deferred tax assets	19(b)	277,852	449,475
Other assets	16	16,599	26,340
Total assets		3,635,515	3,375,771
Liabilities			
Guarantee deposits	17	3,500	3,649
Lease liabilities	18	8,119	13,582
Current taxation	19(a)	—	26,398
Other liabilities	20	94,127	107,675
Total liabilities		105,746	151,304
NET ASSETS		3,529,769	3,224,467
CAPITAL AND RESERVES			
Share capital		2,139,651	2,139,651
Reserves	21(c)	1,390,118	1,084,816
TOTAL EQUITY		3,529,769	3,224,467

Approved and authorised for issue by the board of directors on 31 August 2022.

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 25 to 64 form part of this interim financial report.

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General risk reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2021	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 and 1 July 2021 (unaudited)	2,139,651	1,173,857	89,690	156,047	245,588	3,804,833
Change in equity for the six months ended 31 December 2021:						
Loss and total comprehensive income for the period	—	—	—	—	(580,366)	(580,366)
Balance at 31 December 2021 (audited)	2,139,651	1,173,857	89,690	156,047	(334,778)	3,224,467
Change in equity for the six months ended 30 June 2022:						
Profit and total comprehensive income for the period	—	—	—	—	305,302	305,302
Balance at 30 June 2022 (unaudited)	2,139,651	1,173,857	89,690	156,047	(29,476)	3,529,769

The notes on pages 25 to 64 form part of this interim financial report.

CASH FLOW STATEMENT

for the six months ended 30 June 2022 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Operating activities			
Profit/(loss) before taxation		485,176	(346,388)
Adjustments for:			
(Reversal)/charge of impairment losses	6(b)	(452,074)	474,563
Depreciation and amortisation	6(c)	7,697	8,275
Finance costs	6(c)	388	719
Changes in operating assets			
Net decrease/(increase) in deposits with central bank		55	(1,393)
Net decrease in loans and advances to customers		582,742	1,196,941
Net decrease in finance lease receivables		1,135	5,782
Net decrease/(increase) in bills receivable		250,783	(133,703)
Net decrease in other assets		18,903	2,203
Changes in operating liabilities			
Net decrease in placements from banks		—	(1,090,762)
Net (decrease)/increase in guarantee deposits		(149)	70,612
Net decrease in other liabilities		(12,672)	(4,951)
Cash generated from operations		881,984	181,898
Income tax paid	19(a)	(38,206)	(46,421)
Net cash generated from operating activities		843,778	135,477
Investing activity			
Payments for purchase of property and equipment and intangible assets		(883)	(1,409)
Net cash used in investing activity		(883)	(1,409)
Financing activities			
Capital element of lease rentals paid	22(b)	(5,463)	(4,678)
Interest element of lease rentals paid	22(b)	(388)	(719)
Net cash used in financing activities		(5,851)	(5,397)
Net increase in cash and cash equivalents		837,044	128,671
Cash and cash equivalents at 1 January	22	255,574	90,605
Cash and cash equivalents at 30 June	22	1,092,618	219,276

The notes on pages 25 to 64 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 31 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 condensed 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 2021 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 Hong Kong Financial Reporting Standards (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 20.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Company:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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	
	2022 RMB'000	2021 RMB'000
Interest income arising from		
Loans and advances to customers	76,400	210,962
Deposits with central bank and other banks	3,690	1,374
Finance lease receivables	212	739
Sub-total	80,302	213,075
Interest expenses arising from		
Placements from banks	—	(48,807)
Sub-total	—	(48,807)
Net interest income	80,302	164,268

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Fee and commission income arising from		
Joint loan services	10,397	16,903
Consulting services	—	221
Others	329	2,578
Sub-total	10,726	19,702
Fee and commission expenses arising from		
Bank charges	(164)	(417)
Sub-total	(164)	(417)
Net fee and commission income	10,562	19,285

The Company derives its 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 (EXPENSES)/INCOME

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Net exchange (losses)/gains		(1,671)	425
Government grants	(a)	95	—
Others		(3,928)	347
Total		(5,504)	772

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

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Staff costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses and allowances	19,850	23,307
Other social welfare	2,745	3,346
Contributions to pension schemes	2,490	2,991
Total	25,085	29,644

(b) (Reversal)/charge of impairment losses

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Loans and advances to customers	11(e)	(376,088)	441,371
Finance lease receivables	12(b)	3,024	(587)
Bills receivable	13	(75,235)	13,370
Other assets		(3,775)	20,409
Total		(452,074)	474,563

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

6 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation and amortisation		
– right-of-use assets	4,631	4,631
– intangible assets	2,062	2,321
– property and equipment	1,004	1,323
Professional service fees	5,893	6,995
Maintenance fees	4,950	3,109
Legal consultancy	2,799	3,397
Supervision fees	1,912	–
Tax and surcharges	1,082	1,637
Office expenses	476	653
Travel expenses	471	547
Expenses relating to short-term leases	–	50
Others	1,505	1,124
Sub-total	26,785	25,787
Finance costs	388	719
Total	27,173	26,506

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	
		2022 RMB'000	2021 RMB'000
Current tax			
Provision for the period		8,058	34,875
Under/(over) provision in respect of prior years		193	(143)
Sub-total	19(a)	8,251	34,732
Deferred tax			
Origination/(reversal) of temporary differences	19(b)	171,623	(121,393)
Total		179,874	(86,661)

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 profit/(loss) at applicable tax rates:

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Profit/(loss) before taxation:		485,176	(346,388)
Notional tax on profit/(loss) before taxation	(i)	121,294	(86,597)
Tax effect of non-deductible expenses		58	79
Unutilized deferred tax assets		58,329	—
Under/(over) provision in respect of prior years		193	(143)
Actual tax expense		179,874	(86,661)

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

8 EARNINGS/(LOSS) PER SHARE

(a) Basic and diluted earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of profit of RMB305,302 thousands (six months ended 30 June 2021: loss of RMB259,727 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2021: 2,139,651 thousands ordinary shares) in issue during the interim period, which is set out as follows:

	Six months ended 30 June	
	2022	2021
Profit/(loss) attributable to ordinary equity shareholders of the Company (RMB'000)	305,302	(259,727)
Weighted average number of ordinary shares issued (in thousands)	2,139,651	2,139,651
Basic and diluted earnings/(loss) per share attributable to shareholders (RMB)	0.1427	(0.1214)

There were no dilutive potential ordinary shares for the six months ended 30 June 2022 or 2021. Therefore, diluted earnings/(loss) per share are equivalent to basic earnings/(loss) 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 2022 RMB'000	At 31 December 2021 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(a)	175	230
– Surplus deposit reserves	(b)	314	257
Total		489	487

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

At 30 June 2022 and 31 December 2021, the statutory deposit reserve ratios applicable to the Company were as follows:

	At 30 June 2022	At 31 December 2021
Reserve ratio for deposits	5.0%	5.0%

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 2022 RMB'000	At 31 December 2021 RMB'000
Deposits with banks	1,092,304	255,317
Accrued interest	148	86
Total	1,092,452	255,403

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 2022 RMB'000	At 31 December 2021 RMB'000
Retail loans	970,273	1,516,458
Dealer's loans	2,551,809	2,581,294
Gross loans and advances to customers	3,522,082	4,097,752
Accrued interest	2,341	4,226
Sub-total	3,524,423	4,101,978
Less: Allowances for impairment losses	(1,293,068)	(1,662,084)
Net loans and advances to customers	2,231,355	2,439,894

(b) Analysed by type of collateral

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Collateralized loans	970,273	1,516,458
Guaranteed loans	2,551,809	2,581,294
Gross loans and advances to customers	3,522,082	4,097,752
Accrued interest	2,341	4,226
Less: Allowances for impairment losses	(1,293,068)	(1,662,084)
Net loans and advances to customers	2,231,355	2,439,894

The collaterals for the above loans are vehicles mortgaged to the Company by customers.

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 2022				
	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	10,321	3,674	39,303	28,140	81,438
Guaranteed loans	—	—	2,551,809	—	2,551,809
	10,321	3,674	2,591,112	28,140	2,633,247

	At 31 December 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	13,722	32,511	26,927	2,608	75,768
Guaranteed loans	—	2,067,611	513,683	—	2,581,294
	13,722	2,100,122	540,610	2,608	2,657,062

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 amounts of overdue loans and advances to customers before any allowances for impairment losses.

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

11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	At 30 June 2022			
	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)	891,050	7,814	2,625,559	3,524,423
Less: Allowances for impairment losses	(5,000)	(2,976)	(1,285,092)	(1,293,068)
Net loans and advances to customers	886,050	4,838	1,340,467	2,231,355

	At 31 December 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)	1,444,916	8,616	2,648,446	4,101,978
Less: Allowances for impairment losses	(18,340)	(3,545)	(1,640,199)	(1,662,084)
Net loans and advances to customers	1,426,576	5,071	1,008,247	2,439,894

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 2022			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 2022		18,340	3,545	1,640,199	1,662,084
Transferred to:					
– 12-month ECL		448	(448)	–	–
– lifetime ECL for not credit-impaired		(108)	108	–	–
– lifetime ECL for credit-impaired		(67)	(1,932)	1,999	–
(Reversal)/charge for the period	6(b)	(13,613)	1,703	(364,178)	(376,088)
Recovery after write-off		–	–	7,072	7,072
At 30 June 2022		5,000	2,976	1,285,092	1,293,068

	Note	Year ended 31 December 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		1,147	(775)	(372)	–
– lifetime ECL for not credit-impaired		(208)	208	–	–
– lifetime ECL for credit-impaired		(865)	(358,889)	359,754	–
(Reversal)/charge for the year	6(b)	(45,937)	(3,086)	1,240,756	1,191,733
Write-off for the year		–	–	(21,588)	(21,588)
Recovery after write-off		–	–	40,272	40,272
At 31 December 2021		18,340	3,545	1,640,199	1,662,084

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

12 FINANCE LEASE RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Minimum finance lease receivables	12,143	13,527
Less: Unearned finance lease income	(67)	(316)
Present value of finance lease receivables	12,076	13,211
Less: Allowances for impairment losses	(11,619)	(8,595)
Total	457	4,616

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

	At 30 June 2022		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Within 1 year (inclusive)	12,143	(67)	12,076
Sub-total	12,143	(67)	12,076
Less: Allowances for impairment losses			(11,619)
Total			457

	At 31 December 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)	12,314	(290)	12,024
After 1 year but within 2 years (inclusive)	1,213	(26)	1,187
Sub-total	13,527	(316)	13,211
Less: Allowances for impairment losses			(8,595)
Total			4,616

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

12 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Note	Six months ended 30 June 2022			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 2022		27	467	8,101	8,595
Transferred to:					
– 12-month ECL		1	–	(1)	–
– lifetime ECL for credit-impaired		–	(467)	467	–
(Reversal)/charge for the period	6(b)	(28)	–	3,052	3,024
At 30 June 2022		–	–	11,619	11,619

	Note	Year ended 31 December 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		24	(24)	–	–
– lifetime ECL for not credit-impaired		(203)	203	–	–
– lifetime ECL for credit-impaired		(87)	(49)	136	–
Charge/(reversal) for the year	6(b)	97	(194)	3,094	2,997
At 31 December 2021		27	467	8,101	8,595

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

13 BILLS RECEIVABLE

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month (inclusive)	—	250,783
Less: Allowances for impairment losses	—	(75,235)
Total	—	175,548

	Note	Allowances for impairment losses RMB'000
At 1 January 2021		—
Charge for the year		75,235
At 31 December 2021		75,235
Reversal for the period	6(b)	(75,235)
At 30 June 2022		—

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

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 2021	4,367	1,082	14,428	36,212	56,089
Additions	137	—	138	—	275
Disposals	(24)	(22)	—	—	(46)
At 31 December 2021	4,480	1,060	14,566	36,212	56,318
Additions	5	—	—	—	5
Disposals	(71)	(15)	—	—	(86)
At 30 June 2022	4,414	1,045	14,566	36,212	56,237
Accumulated depreciation:					
At 1 January 2021	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Charge for the year	(530)	(51)	(2,065)	(9,263)	(11,909)
Disposals	17	20	—	—	37
At 31 December 2021	(3,377)	(909)	(10,602)	(24,839)	(39,727)
Charge for the period	(215)	(23)	(766)	(4,631)	(5,635)
Disposals	67	14	—	—	81
At 30 June 2022	(3,525)	(918)	(11,368)	(29,470)	(45,281)
Net book value:					
At 30 June 2022	889	127	3,198	6,742	10,956
At 31 December 2021	1,103	151	3,964	11,373	16,591

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

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 2022 RMB'000	At 31 December 2021 RMB'000
Properties leased for own use carried at cost	6,742	11,373

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	4,631	4,631
Finance costs (Note 6(c))	388	719
Expenses relating to short-term leases	—	50

15 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2021	38,189
Additions	543
At 31 December 2021	38,732
Additions	—
At 30 June 2022	38,732
Accumulated amortisation:	
At 1 January 2021	(26,852)
Charge for the year	(4,463)
At 31 December 2021	(31,315)
Charge for the period	(2,062)
At 30 June 2022	(33,377)
Net book value:	
At 30 June 2022	5,355
At 31 December 2021	7,417

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

16 OTHER ASSETS

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Other receivables	(a)	5,006	6,143
Prepayments		4,111	3,819
Deductible value-added tax		3,874	3,971
Prepaid income tax		3,557	—
Interest receivables		51	12,407
Total		16,599	26,340

(a) Other receivables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Deposits	3,042	3,069
Commission receivables of joint loans	1,964	3,074
Total	5,006	6,143

17 GUARANTEE DEPOSITS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Deposits provided by dealers for retail business	2,428	2,428
Deposits from finance lease clients	1,072	1,221
Total	3,500	3,649

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

18 LEASE LIABILITIES

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

	At 30 June 2022		At 31 December 2021	
	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)	6,691	7,017	9,370	9,975
After 1 year but within 2 years (inclusive)	1,428	1,439	4,212	4,332
	1,428	1,439	4,212	4,332
	8,119	8,456	13,582	14,307
Less: total future interest expenses		(337)		(725)
Present value of lease liabilities		8,119		13,582

19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Balance at the beginning of the period/year		26,398	18,379
Provision for current income tax for the period/year	7(a)	8,251	56,943
Payment during the period/year		(38,206)	(48,924)
Balance at the end of the period/year		(3,557)	26,398

At 30 June 2022, the prepaid income tax amounted to RMB3,557 thousands was recognized in other assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets 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 and others RMB'000	Total RMB'000
Balance at 1 January 2021	102,707	9,121	675	112,503
Credited/(charged) to profit or loss	338,841	(2,098)	229	336,972
Balance at 31 December 2021	441,548	7,023	904	449,475
Charged to profit or loss	(168,137)	(3,370)	(116)	(171,623)
Balance at 30 June 2022	273,411	3,653	788	277,852

20 OTHER LIABILITIES

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Other payables	(a)	91,895	105,755
Advance receipts		2,232	1,920
Total		94,127	107,675

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

20 OTHER LIABILITIES (CONTINUED)

(a) Other payables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Payables of joint loans	33,529	48,995
IPO service fees payable	26,553	25,386
Accruals	12,732	10,311
Brokerage fees payable	11,725	11,210
Employee benefits payable	5,180	7,841
Tax and surcharges and other taxation payable	750	761
Others	1,426	1,251
Total	91,895	105,755

21 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 2022 (six months ended 30 June 2021: 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)

21 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 2022 amounted to RMB156,047 thousands (31 December 2021: 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

21 CAPITAL AND RESERVES (CONTINUED)

(d) Capital management (continued)

The Company calculates the capital adequacy ratios as at 30 June 2022 and 31 December 2021 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 2022 RMB'000	At 31 December 2021 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
– Accumulated losses	(29,476)	(334,778)
Total core tier-one capital	3,529,769	3,224,467
Core tier-one capital deductions		
– Net value of intangible assets after deduction of related deferred income tax liabilities	(5,355)	(7,417)
– Amount to be deducted from other net deferred tax assets relying on future profits	–	(127,770)
Net core tier-one capital	3,524,414	3,089,280
Net tier-one capital	3,524,414	3,089,280
Tier-two capital		
– Surplus provision for loan impairment	36,828	43,496
Net tier-two capital	36,828	43,496
Net capital base	3,561,242	3,132,776
Credit risk-weighted assets	2,983,069	3,523,176
Operational risk-weighted assets	1,058,863	1,058,863
Total risk-weighted assets	4,041,932	4,582,039
Core tier-one capital adequacy ratio	87.20%	67.42%
Tier-one capital adequacy ratio	87.20%	67.42%
Capital adequacy ratio	88.11%	68.37%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

22 NOTES TO CASH FLOW STATEMENTS

(a) Cash and cash equivalents comprise

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Deposit reserves with central bank	9	314	257
Deposits with banks within original maturity of three months or less		1,092,304	255,317
Cash and cash equivalents in the cash flow statements		1,092,618	255,574

(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 20(a)) RMB'000	Lease liabilities (Note 18) RMB'000	Total RMB'000
At 1 January 2022	25,386	13,582	38,968
Changes from financing cash flows:			
Capital element of finance lease rentals paid	—	(5,463)	(5,463)
Interest element of finance lease rentals paid	—	(388)	(388)
Total changes from financing cash flows	—	(5,851)	(5,851)
Exchange adjustment	1,167	—	1,167
Other change:			
Finance costs (Note 6(c))	—	388	388
At 30 June 2022	26,553	8,119	34,672

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

22 NOTES TO CASH FLOW STATEMENTS (CONTINUED)

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

	IPO service fees payable (Note 20(a)) RMB'000	Lease liabilities (Note 18) 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	—	(9,790)	(9,790)
Interest element of finance lease rentals paid	—	(1,276)	(1,276)
Total changes from financing cash flows	—	(11,066)	(11,066)
Exchange adjustment	(746)	—	(746)
Other changes:			
Finance costs (Note 6(c))	—	1,276	1,276
At 31 December 2021	25,386	13,582	38,968

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

23 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 practices 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.

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

23 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 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 2022, the Company has not written off any financial assets. For the six months ended 30 June 2021, the Company has written off RMB18,184 thousands financial assets.

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.

As a financial institution in banking industry, the Company is required to meet the regulatory standard of 150% provision coverage ratio with reference to Article 7 of the Regulation Governing Allowance for Loan Loss of Commercial Banks (商業銀行貸款損失準備管理辦法) issued by the CBRC.

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

23 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 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.

	30 June 2022						
	Loans and advances to customers		Finance lease receivables		Other assets		Total
	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)	891,050		27		16,548		907,625
Allowances for impairment losses	(5,000)		–		–		(5,000)
Net balances	886,050	0.56%	27	0.00%	16,548	NA	902,625
Gross balances are not credit-impaired and assessed for lifetime ECL							
– Overdue but not credit-impaired	7,688		–		83		7,771
– Neither overdue nor credit-impaired (including accrued interest)	126		–		–		126
Sub-total	7,814		–		83		7,897
Allowances for impairment losses	(2,976)		–		(38)		(3,014)
Net balances	4,838	38.09%	–	NA	45	45.78%	4,883
Gross balances are credit-impaired and assessed for lifetime ECL							
– Overdue and credit-impaired	2,625,559		12,049		54,086		2,691,694
– Not overdue but credit-impaired	–		–		–		–
Sub-total	2,625,559		12,049		54,086		2,691,694
Allowances for impairment losses	(1,285,092)		(11,619)		(54,080)		(1,350,791)
Net balances	1,340,467	48.95%	430	96.43%	6	99.99%	1,340,903
Book value	2,231,355		457		16,599		2,248,411

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

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

(a) Credit risk (continued)

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

	31 December 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)	1,444,916		2,950		–		13,933		1,461,799
Allowances for impairment losses	(18,340)		(27)		–		–		(18,367)
Net balances	<u>1,426,576</u>	<u>1.27%</u>	<u>2,923</u>	<u>0.92%</u>	<u>–</u>	<u>NA</u>	<u>13,933</u>	<u>NA</u>	<u>1,443,432</u>
Gross balances are not credit-impaired and assessed for lifetime ECL									
– Overdue but not credit-impaired	8,616		2,160		–		93		10,869
Allowances for impairment losses	(3,545)		(467)		–		(41)		(4,053)
Net balances	<u>5,071</u>	<u>41.14%</u>	<u>1,693</u>	<u>21.62%</u>	<u>–</u>	<u>NA</u>	<u>52</u>	<u>44.09%</u>	<u>6,816</u>
Gross balances are credit-impaired and assessed for lifetime ECL									
– Overdue and credit-impaired	2,648,446		8,101		250,783		70,207		2,977,537
Allowances for impairment losses	(1,640,199)		(8,101)		(75,235)		(57,852)		(1,781,387)
Net balances	<u>1,008,247</u>	<u>61.93%</u>	<u>–</u>	<u>100.00%</u>	<u>175,548</u>	<u>30.00%</u>	<u>12,355</u>	<u>82.40%</u>	<u>1,196,150</u>
Book value	<u>2,439,894</u>		<u>4,616</u>		<u>175,548</u>		<u>26,340</u>		<u>2,646,398</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

23 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 and the principal and interest charged by the loan service. The funds are mostly used to disburse loans and to maintain daily operations of the Company.

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 2022						Total RMB'000	Carrying amount RMB'000
	Repayable on demand/ overdue 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			
Financial assets								
Cash and deposits with central bank	489	—	—	—	—	489	489	
Deposits with banks	1,092,452	—	—	—	—	1,092,452	1,092,452	
Loans and advances to customers	1,349,258	73,894	123,896	383,350	377,807	2,308,205	2,231,355	
Finance lease receivables	15	42	85	382	—	524	457	
Other assets	16,599	—	—	—	—	16,599	16,599	
Total	2,458,813	73,936	123,981	383,732	377,807	3,418,269	3,341,352	
Financial liabilities								
Guarantee deposits	(2,578)	—	(609)	(313)	—	(3,500)	(3,500)	
Lease liabilities	—	(928)	(1,048)	(5,041)	(1,439)	(8,456)	(8,119)	
Other liabilities	(57,614)	(4,775)	(4,151)	(12,839)	(11,766)	(91,145)	(91,145)	
Total	(60,192)	(5,703)	(5,808)	(18,193)	(13,205)	(103,101)	(102,764)	
Net position	2,398,621	68,233	118,173	365,539	364,602	3,315,168	3,238,588	

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

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

(b) Liquidity risk (continued)

	31 December 2021						Total RMB'000	Carrying amount RMB'000
	Repayable on demand/ overdue 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			
Assets								
Cash and deposits with central bank	487	—	—	—	—	487	487	
Deposits with banks	255,403	—	—	—	—	255,403	255,403	
Loans and advances to customers	1,016,776	117,557	202,103	633,320	594,449	2,564,205	2,439,894	
Finance lease receivables	56	317	633	2,849	1,077	4,932	4,616	
Bills receivable	—	—	—	175,548	—	175,548	175,548	
Other assets	26,340	—	—	—	—	26,340	26,340	
Total	1,299,062	117,874	202,736	811,717	595,526	3,026,915	2,902,288	
Liabilities								
Guarantee deposits	(2,578)	—	—	(650)	(421)	(3,649)	(3,649)	
Lease liabilities	—	(928)	(1,855)	(7,192)	(4,332)	(14,307)	(13,582)	
Other liabilities	(55,999)	(3,386)	(5,137)	(19,667)	(20,805)	(104,994)	(104,994)	
Total	(58,577)	(4,314)	(6,992)	(27,509)	(25,558)	(122,950)	(122,225)	
Net position	1,240,485	113,560	195,744	784,208	569,968	2,903,965	2,780,063	

(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)

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

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Company's assets and liabilities as at the end of the reporting period.

	At 30 June 2022		At 31 December 2021	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Fixed interest rate:				
Financial assets				
Loans and advances to customers	6.50%–15.48%	2,231,355	6.50%–15.48%	2,439,894
Finance lease receivables	7.96%–12.00%	457	7.96%–15.31%	4,616
Total		2,231,812		2,444,510

	At 30 June 2022		At 31 December 2021	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Variable interest rate:				
Financial assets				
Cash and deposits with central bank	0.35%–1.62%	489	0.72%–1.62%	487
Deposits with banks	0.01%–2.17%	1,092,452	0.01%–2.17%	255,403
Total		1,092,941		255,890

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

23 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 2022 RMB'000	At 31 December 2021 RMB'000
Increase/(decrease) in profit or loss after taxation and retained profits		
Interest rates increase by 100 bps	7,172	1,679
Interest rates decrease by 100 bps	(7,171)	(1,679)

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 include the proceeds from the 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 the 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

23 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 2022		At 31 December 2021	
	USD	HKD	USD	HKD
Deposits with banks	53	205	51	206
Other liabilities	—	(38,278)	—	(36,596)
Net position	53	(38,073)	51	(36,390)

(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 2022 RMB'000	At 31 December 2021 RMB'000
Changes in profit or loss after taxation and equity		
Foreign exchange rate increase by 100 bps	(285)	(273)
Foreign exchange rate decrease by 100 bps	285	273

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 the 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.

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

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

(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.

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

24 MATERIAL RELATED PARTY TRANSACTIONS

The Company had the following significant transactions with ZhengTong Auto Services Holding Limited (“ZhengTong”) and its subsidiaries during the reporting period. In the opinion of the executive directors of the Company, the transactions were carried out in the normal course of business and at terms negotiated between the Company and ZhengTong and ZhengTong’s subsidiaries.

(a) Names and relationships with related parties

The following companies are ZhengTong and ZhengTong’s subsidiaries that had balances and/or transactions with the Company during the reporting period.

Company	Relationship during the reporting period
Baoding Aoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Baotou Baoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Baotou Luze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Beijing Baozhang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Beijing BWWR Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Beijing SCAS North China Automobile Services Co., Ltd.	ZhengTong’s subsidiary
Beijing SCAS Zhongguan Automobile Sales Co., Ltd.	ZhengTong’s subsidiary
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Changsha Ruibao Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Chengdu Qibao Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Chenzhou Ruibao Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Dongguan Aoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Dongguan Jieyunhang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Dongguan Liaobu SCAS Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Dongguan SCAS Automobile Sales Service Co., Ltd.	ZhengTong’s subsidiary
Foshan Aoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Foshan Dingbaohang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Foshan Baoyunhang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Fujian SCAS Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Fuzhou Dingwo Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Ganzhou Baoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Guangdong SCAS Automobile Sales Service Co., Ltd.	ZhengTong’s subsidiary
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Guangzhou Baoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Guangzhou Baotaihang Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Hainan SCAS Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Henan Jintangsheng Automobile Co., Ltd.	ZhengTong’s subsidiary
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Hubei Aoze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Hubei Bocheng Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Huhhot Jieyun Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Hunan SCAS Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary
Inner Mongolia Dingze Automobile Sales Services Co., Ltd.	ZhengTong’s subsidiary

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Relationship during the reporting period
Jiangxi Deao Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Jieyang Dingjie Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Jieyang Luze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Langfangshi Luze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Nanchang Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Qingdao Huacheng Automobile Services Co., Ltd.	ZhengTong's subsidiary
Qingdao Aoze Automobile Sales Service Co., Ltd.	ZhengTong's subsidiary
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Qingyuan SCAS Toyota Motor Sales Services Co., Ltd.	ZhengTong's subsidiary
Shantou Hongxiang Materials Co., Ltd.	ZhengTong's subsidiary
Shantou Lujie Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shanghai Aohui Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shanghai Shenxie Automobile Trading Co., Ltd.	ZhengTong's subsidiary
Shanghai Qize Automobile Sales Service Co., Ltd.	ZhengTong's subsidiary
Shanghai Qibao Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shantou Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen Aoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen Dingwo Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen SCAS Electric Machinery Co., Ltd.	ZhengTong's subsidiary
Shengzhou Aoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Suzhou Anzhixing Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Tianjin SCAS Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Tianjin Automobile Industry SCAS Sales Co., Ltd.	ZhengTong's subsidiary
Weihai Luze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Wuhan Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Wuhan Zhengtong United Industrial Investment Group Co., Ltd.	ZhengTong's subsidiary
Wuhan Luze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Wuhan Kaitai Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Xiangtan Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Yichang Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Yichun Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhengzhou Aoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhengzhou Dingwo Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhongshan SCAS Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhuhai Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhuhai SCAS Jieli Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

In the opinion of the executive directors of the Company, the transactions were carried out in the normal course of business and at terms negotiated between the Company and ZhengTong and ZhengTong's subsidiaries.

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Subsidies receipt for retail loans	(i)	—	97
Interest income	(i)	31,300	52,756
Operating expenses		—	(50)
Decrease of loans principal and interest due from ZhengTong's subsidiaries	(ii)	(77,286)	(70,982)
Additions of bills receivable from ZhengTong's subsidiary		—	145,524
Decrease of bills receivable from ZhengTong's subsidiary	(iii)	(250,783)	(11,821)

(i) Subsidies receipt for retail loans included subsidies received from the automaker which are settled through ZhengTong's or ZhengTong's subsidiaries pursuant to the pass-through arrangement. Interest income included interest from dealer's loan business and the subsidies amortised to the income statement during the reporting period.

(ii) In the first half of 2022, the Company received remittance of RMB77,286 thousands from Zhengtong's fellow subsidiary Wuhan Zhengtong United Industrial Investment Group Co., Ltd. ("Wuhan Zhengtong United") of which 1) RMB29,485 thousands was applied to settle the dealer's loan principal; 2) RMB47,801 thousands was applied to settle the dealer's loan interest.

(iii) Up to 30 June 2022, commercial bills amounted to RMB250,783 thousands from ZhengTong's fellow subsidiary Wuhan Zhengtong United has been settled.

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

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with ZhengTong and its subsidiaries

As at the end of the reporting period, the Company had the following balances with ZhengTong and its subsidiaries:

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Assets			
Dealer's loans (including accrued interest)	(i), (iii)	1,410,559	1,440,044
Subsidies for retail loans	(ii)	(434)	(1,716)
Mortgage service fees	(ii)	574	292
Bills receivable	24(b)(iii), (iii)	—	250,783
Interest receivables	(iii)	—	15,860
Liabilities			
Other liabilities		(5)	(35)
Off-balance sheet item			
Guarantees received for dealer's loans	(iv)	1,410,559	1,455,904

- (i) As at 30 June 2022, the dealer's loan due from Zhengtong dealers amounted to RMB1,410,559 thousands is overdue over 90 days and classified as Stage 3 financial assets.
- (ii) The subsidies for retail loans and mortgage service fees are initially recognised in loans and receivables at amortised method.
- (iii) Loss allowances of RMB70,528 thousands have been made on these balances as at 30 June 2022 (31 December 2021: RMB512,006 thousands).
- (iv) The guarantees were provided by Zhengtong for repayment of dealer's loans. These guarantees expire on the same date as the related loans.

All balances with ZhengTong and its subsidiary are related to main business of the Company except for other liabilities amounting to RMB5 thousands and RMB35 thousands as of 30 June 2022 and 31 December 2021, respectively.

(d) Directors and key management personnel remuneration

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Remuneration of key management personnel	4,609	4,302

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

25 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 2022			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	46,480	30,132	3,690	80,302
Net fee and commission income	10,562	—	—	10,562
Other net expenses	(4,592)	—	(912)	(5,504)
Operating income	52,450	30,132	2,778	85,360
Operating expenses	(33,975)	(17,895)	—	(51,870)
Reversal of impairment losses	10,596	441,478	—	452,074
Finance costs	(254)	(134)	—	(388)
Profit before taxation	28,817	453,581	2,778	485,176
Other segment information				
— Depreciation and amortisation	5,041	2,656	—	7,697

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

25 SEGMENT REPORTING (CONTINUED)

(a) Business segment (continued)

	At 30 June 2022			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	893,906	1,340,030	1,401,579	3,635,515
Reportable segment liabilities/total liabilities	(39,439)	—	(66,307)	(105,746)
	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
	At 31 December 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	1,440,857	1,194,681	740,233	3,375,771
Reportable segment liabilities/total liabilities	(55,071)	(6)	(96,227)	(151,304)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

25 SEGMENT REPORTING (CONTINUED)

(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.

26 CONTINGENCIES

The Company did not have any material contingent liabilities at the end of the reporting period (as at 31 December 2021: Nil).

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Completion of SAIC Motor Corporation Limited's Acquisition of the Company (the "Acquisition")

On 19 May 2022, SAIC Motor Corporation Limited (the "Offeror") won the auction at the bid price of RMB1,606,812,970 to acquire the 1.52 billion unlisted foreign shares of the Company. On 4 August 2022, the Offeror has completed the Acquisition and become the controlling shareholder of the Company. The Offeror will be required to make unconditional mandatory general offers in cash for all the issued domestic shares and H shares of the Company not already owned or agreed to be acquired by the Offeror and its concert parties in accordance with the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong.

Repayments from customers

In July and August 2022, the Company received repayments of certain overdue loans and receivables from customers of approximately RMB1.4 billion. In respect of such repayments, the Company recorded a further reversal of impairment losses of approximately RMB78 million in July and August 2022.

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
“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 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)”	the supervisor(s) 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), the former 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.