



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

ANNUAL REPORT 2021



*For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Koh Tee Choong
Mr. Li Guozhou

Independent Non-executive Directors

Mr. Wong Man Chung Francis
Ms. Liang Yanjun

BOARD OF SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION AND EVALUATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

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

AUDITOR

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

LEGAL ADVISORS

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

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

CORPORATE INFORMATION**REGISTERED ADDRESS AND
ADDRESS OF THE HEAD OFFICE IN
THE PRC**

Unit ABC, 30/F., Mirae Asset Tower
No. 166, Lu Jia Zui Ring Road
Shanghai, PRC

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Shanghai Dongzheng Automotive Finance Co., Ltd.*, I hereby present the annual report for the year ended 31 December 2021 of the Company to the Shareholders.

The year 2021 was still a challenging one for the Company. In spite of the effective control of pandemic and the gradual recovery of the economy in China, there have been difficulties across different business sectors as well as occasional adverse market news such as corporate bonds defaults leading to unstable consumer confidence. In respect of domestic automobile industry, although there was a slight increase in production and sales during the year, it had not resumed the level prior to the pandemic. The customers of the Company were also impacted by different extent with a decline in repayment capability for some of our customers.

In response to increases in risk of business operation, the Company effectively reduced its reliance on external resources and significantly mitigated its liquidity risks by reducing loan portfolio as well as gradual repayment of inter-bank loans upon in-depth research and through proactive deployment with a view to preserve the sustainable development of the Company.

After receiving the Administrative Decision issued by the CBIRC Shanghai Office in 2020, the Company has suspended the dealer's loan business, and has been focusing on the development of retail automotive loan business. We successfully cooperated with new energy vehicles manufacturers and diversified our product portfolio as well as customer resources.

In the year 2021, with the support and assistance of regulatory authorities, the entire team of the Company worked together to successfully relieve liquidity pressure, and make considerable progress on the expansion of retail business. Looking ahead into 2022, the Company will continue to monitor the dynamics of the market, maintain its market competitiveness and sustainable development, strive to complete the liquidation of equity interest by the controlling Shareholder as early as possible, and get itself well prepared for future business development.

On behalf of the Board, I hereby express my heartfelt appreciation to all Shareholders and investors for their support and understanding, as well as all staff for their hard work and contributions during the year.

Lin Fan
Chairman

Shanghai, PRC, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Faced with multiple challenges including the complex and changing domestic and foreign situations, and under the impact of the chip shortage and the cost increase of raw materials, automobile industry in the PRC achieved gradual recovery in 2021. Despite the unfavorable industry sentiment and relatively low comparative figures due to the outbreak of the COVID-19 pandemic in 2020, according to the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in China in 2021 increased by only 7.1% and 6.5%, respectively and had not resumed the level prior to the pandemic. Moreover, large automobile dealers are essentially the first to benefit from the recovery of the industry, while medium and small-sized automobile dealers are still operating in a relatively difficult environment.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 31 December 2021, there are 25 (31 December 2020: 25) licensed automotive finance companies in China, all of which are in competition with commercial banks, financial leasing companies and internet finance companies. Automotive finance companies, being in close relationship with automobile manufacturers and dealers, deliver enhanced product offerings and better services to customers. The Company also leveraged on its advantages as a licensed institution through multiple channels such as internal financial resources, inter-bank lending, banking facilities as well as active cooperation with major banks to launch joint loan products, so as to allocate asset based on market conditions and risk assessment.

During the year, the Company has timely adjusted its operating principles in accordance with the economic and industry situations and circumstances of the Company: first, at the requirement of the CBIRC Shanghai Office, the Company suspended the dealer's loan business, and focused its resources on the development of the retail loan business. In 2021, the number and amount of retail loans disbursed by the Company increased significantly of which the amount of retail loans disbursed reached RMB957 million, representing an increase of 87% as compared with RMB512 million for the last year; second, in response to the fluctuation of the overall domestic credit environment, the Company relieved its liquidity pressure by fully repaying the placements from bank at the end of the year, where the balance of the placement decreased to nil from approximately RMB2 billion at the end of the 2020; third, in response to the negative impact on repayment ability of certain customers of the Company, the Company increased the efforts on technology to enhance risk control requirements including process management, collection policies, merchant rating and channel management in order to preserve its asset quality and enhance capabilities of risk management and control.

During the year, the Company's partnership-based dealer network covered more than 200 cities in China. As at 31 December 2021, the Company has 930 (2020: 962) partnership-based dealers in total. Furthermore, by focusing on sales to middle and high-end brands, these sales channels keep abreast with customers base of consumption upgrade demographic. The strengths of the sales network and reasonably established market presence enable the Company to introduce good customer experience and services to the consumers.

The Company's loan portfolio decreased by 58% to RMB2.44 billion as at 31 December 2021 from RMB5.75 billion as at 31 December 2020. For the year ended 31 December 2021, the Company's net interest income amounted to RMB280 million, representing a decrease of 43% as compared to 2020. The Company's operating income amounted to RMB316 million in 2021, representing a decrease of 45% as compared to last year. The Company recorded a net loss of RMB840 million in 2021 as compared to a net profit of RMB55 million in 2020. The net loss was mainly due to the following reasons: (i) there is an increase in overdue loans from the Company's dealers customers which may be attributable to (1) the impact of COVID-19 pandemic where car dealers were facing difficult operating environment; and (2) the aggregate amount (inclusive of interest receivables) due from ZhengTong (the controlling Shareholder and the

MANAGEMENT DISCUSSION AND ANALYSIS

largest customer of the Company) and its dealers, of approximately RMB1.7 billion as at 31 December 2021. As disclosed in the announcements of the Company dated 7 December 2020 and 8 February 2022, the CBIRC Shanghai Office and Shanghai Financial Court of the PRC issued the Administrative Decision and the Relevant Rulings (as defined below) respectively, which ruled that the equity interests in the Company held by ZhengTong be liquidated through auction. As at the date of this report, the auction is still in progress, and the amount due from ZhengTong and its dealers remains outstanding. In view of the above, the Company increased allowances for the impairment losses relating to its loans and advances to customers and bills receivable etc. by approximately RMB935 million as compared to the year 2020; and (ii) based on the assessment of the economic situation and credit risks, as well as to maintain financial stability of the Company, the Company has been gradually reducing the loan portfolio and, at the same time, repaid all of its outstanding placement from bank during the year, leading to a decrease in net interest income of approximately RMB215 million for the year ended 31 December 2021 as compared to the year 2020.

In response to the adverse business environment as a result of the COVID-19 pandemic, the Company has adopted measures to optimise cost, monitor and demand for repayments from its customers. The Company has taken actions to strengthen its loan collections and to protect the interests of the Company by adopting asset preservation measures on relevant customers, including the issue of debt collection letter, on-site reminder, legal action etc. The Board will continue to take active steps to monitor the development of the COVID-19 pandemic and is putting appropriate cost and risk management measures in place during this difficult period while still preserving and building its capabilities for the future.

The Company has a diverse customer base. The Company's loans and advances were disbursed to 29,686 customers as at 31 December 2021 including 29,603 retail loan customers and 83 dealer's loan customers.

In terms of retail loans, the Company disbursed a total of 8,735 retail loans throughout 2021, representing an increase of 132% over that of 2020, and the loan amount was RMB957 million, representing an increase of 87% as compared with 2020. The increase were mainly due to the Company focusing its resources on the development of retail loan business, and the relatively low corresponding figures of 2020 which was the most severe period amid the domestic pandemic.

In terms of dealer's loan business, no loan was disbursed during 2021 due to the suspension of the dealer's loan business by the Company. As of 31 December 2021, the loan balance was RMB2.581 billion, which remained stable as compared to that at the end of 2020.

	As at/For the year ended	
	31 December	
	2021	2020
Amount of retail loans disbursed (RMB million)	957	512
Number of self-operated retail loan disbursed	8,735	3,760
Including: Standard self-operated loans	3,080	1,694
Joint loans	5,655	2,066
Gross outstanding loan balance (RMB million)	4,097.75	6,144.36
Including: Retail loans	1,516.46	3,563.07
Dealer's loans	2,581.29	2,581.29

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 stipulated standardized policies and procedures for loan application review and approval, loan disbursement as well as post-disbursement management.

MANAGEMENT DISCUSSION AND ANALYSIS

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, driver's license, credit records and other requisite application materials such as the applicants' financial information, work information and address information); and conducting preliminary authentication of the identity of the loan applicants by the Company's Loan Review & Approval Department on an as-needed basis
- 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 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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2021, the Company's nonperforming loan balance was RMB1.208 billion (2020: RMB22 million), whereby the nonperforming loan ratio was 29.49% (2020: 0.36%). During the year, the Company's risk management focused on (1) continuously optimizing risk policies and management and control strategies, strengthening overall risk monitoring system including assets quality, risk cost, channel grading, risk investigation and post-loan review to better control the risk of non-performing loans for the newly disbursed loans; (2) introducing multi-dimensional external anti-fraud data and applying statistics principle and machine learning algorithms to optimize the big data risk control model and enhance the ability of automated approval system to identify fraud risk and credit risk for retail customers; (3) further strengthening the dynamic assessment of the risk status of dealers and enhancing the ability to dynamically identify, assess and monitor the credit level of borrowers and continuing to enhance post-loan management and asset preservation for remaining loans.

	As at 31 December	
	2021	2020
Non-performing loan (NPL) ratio (60+)	29.49%	0.36%
Loan provision rate	40.56%	7.35%
Provision coverage ratio*	137.54%	2,037.81%

* 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 RMB0.15 billion.

Enforcement of Administrative Decision and Termination of the Discussions on the Potential Disposal

On 20 October 2020, the Company received the administrative decisions (the "Decisions") by the CBIRC Shanghai Office which stated that (i) the dealer auto loan business of the Company was carried out in serious violation of principle of prudent operation; (ii) ZhengTong obtained approval for the establishment of the Company by improper means; and (iii) ZhengTong and its related parties engaged in non-compliant related party transactions with the Company. According to the Decisions, the administrative approvals in respect of agreeing the capital contribution and capital increase by the controlling Shareholder have been revoked; the Company shall withdraw the equity interests in the Company held by ZhengTong, restrict the relevant shareholder's rights of ZhengTong; and the controlling Shareholder's benefits based on the revoked administrative approvals would not be protected. In addition, the CBIRC Shanghai Office ordered the Company to suspend the operation of the dealer auto loan business, imposed a fine of RMB2 million on the Company and issued a warning to Mr. Li Yi, the president of the Company. Since receiving the Decisions, the Company has conducted review and assessment towards dealer's loan business, retail loan business and related party transactions and formulated a working plan to rectify and implement the requirements set out in the Decisions. Details have been disclosed in the Company's announcement dated 7 December 2020. Regarding the withdrawal of Shareholder, the Company announced on 3 February 2021 that, as informed by ZhengTong, ZhengTong was in discussion with an independent potential purchaser (the "Potential Purchaser") regarding, amongst others, a potential disposal of the shares of the Company (the "Potential Disposal"). 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").

MANAGEMENT DISCUSSION AND ANALYSIS

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 will comply with the Notice of Assistance in Enforcement in accordance with applicable laws and regulations, including preservation of any dividends, bonuses and other proceeds to ZhengTong. The Company will seek PRC legal advice and consult Shanghai Financial Court of the PRC on the applicability and interpretation of the Notice of Assistance in Enforcement as and when required.

The Company has complied with and will continue to comply with the Administrative Decision throughout the Freezing Period, whereby the Company will restrict the relevant shareholder’s rights of ZhengTong, including the right to request for a general meeting, the voting rights, the nomination rights, the proposal rights, the disposal rights, and rights to dividend. The auction will be conducted in accordance with the relevant rules and procedures in the PRC. The Company was further informed that Shanghai Financial Court of the PRC has issued a certificate of appointment ((2022) Hu 74 Wei Jian No.24), pursuant to which a valuer has been appointed to perform a valuation in respect of ZhengTong’s equity interests in the Company, being 1.52 billion unlisted shares of the Company. As at the date of this report, the Company has not been informed of the details of the auction, including the timing of the auction. The Company will make further announcement(s) in relation to the auction when it receives further information from the Shanghai Financial Court, the CBIRC Shanghai Office, and/or ZhengTong. There is no assurance that the auction will proceed.

In view of the above, the Company was informed by ZhengTong that ZhengTong has terminated the discussion with the Potential Purchaser on the Potential Disposal. For details, please refer to the announcements of the Company dated 8 February 2022 and 8 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income decreased by 43.4% to approximately RMB280 million in 2021 from approximately RMB495 million in 2020.

Set out below are the comparative figures for the year ended 31 December 2021 and 2020.

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest income		
Loans and advances to customers	339,711	737,326
Deposits with central bank and other banks	2,939	2,796
Finance lease receivables	1,168	3,230
	343,818	743,352
Interest expenses		
Placements from banks	(63,499)	(248,209)
	(63,499)	(248,209)
Net interest income	280,319	495,143

- Interest income: For the year ended 31 December 2021, the Company recorded an interest income of approximately RMB344 million, representing a decrease of 53.7% as compared to approximately RMB743 million in the same period of 2020. The decrease in interest income was mainly due to the decrease in loan size. Net interest margin decreased from 5.85% in 2020 to 5.30% in 2021.
- Interest expenses: Interest expenses of the Company decreased from approximately RMB248 million in 2020 to approximately RMB63 million in 2021, which was mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As at 31 December 2021, the placements from bank have been fully repaid by the Company, with nil balance of placements from bank (2020: RMB2.03 billion). For the year ended 31 December 2021, the average cost of interest-bearing liabilities was 6.39% (2020: 6.09%).

	For the year ended 31 December	
	2021 %	2020 %
Average cost of interest-bearing liabilities	6.39	6.09
Average cost of additional new interest-bearing liabilities	6.45	6.13

MANAGEMENT DISCUSSION AND ANALYSIS

Non-interest Income

1. Net fee and commission income: Net fee and commission income of the Company for 2021 was approximately RMB34 million. Set forth below is a detailed breakdown:

	For the year ended	
	2021	2020
	RMB'000	RMB'000
Fee and commission income		
Consulting services	221	12,901
Joint loan services	30,924	48,505
Others	3,358	11,906
Sub-total	34,503	73,312
Fee and commission expenses		
Bank charges	(785)	(805)
Sub-total	(785)	(805)
Net fee and commission income	33,718	72,507

The Company's net fee and commission income in 2021 amounted to approximately RMB34 million, representing a decrease of 53.5% as compared to that in 2020. The decrease in related income was mainly due to the fact that the Company focused on the development of joint loan business during the year, and reduced referral of customers to other financial institutions, as well as the decrease in the Company's loan size.

2. Other net income: In 2021, the Company's other net income amounted to approximately RMB2 million (2020: RMB10 million).

Operating Expenses

The operating expenses of the Company comprise staff costs, depreciation and amortization etc.. For the year ended 31 December 2021, the Company's operating expenses amounted to approximately RMB119 million in aggregate, representing a decrease of RMB1 million as compared to approximately RMB120 million for the same period of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Loss

The Company has adopted the HKFRS 9 Expected Credit Loss Model to categorise the risk assets of the Company into three stages. In 2021, the total impairment loss amounted to approximately RMB1.32 billion (2020: RMB0.38 billion). 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 (1) the impact of COVID-19 pandemic where car dealers were facing difficult operating environment; and (2) the amount due from ZhengTong and its dealers, which led to overdue principal and interest, certain loans and receivables amounting to approximately RMB2.98 billion is considered overdue and credit-impaired and should be classified as the third loss stage under the HKFRS 9 Expected Credit Loss Model.

The Company considered that the provision ratio under different loss stages is primarily affected by the probability of default, where it is subject to certain factors, including but not limited to, historical statistics on roll rate of different classes of customers, macroeconomics factors and forward-looking information. As customers at higher loss stage have higher probability of default in general, the provision ratio for third loss stage is higher than that for the first and second loss stages. Notwithstanding the above, the provision ratio applied for the third loss stage as at 31 December 2021 (59.83%) was lower as compared to that as at 31 December 2020 (97.09%). The decrease in provision ratio for the third loss stage was mainly attributable to: the reclassification of the receivables due from ZhengTong and its dealers from the second loss stage in 2020 to the third loss stage in 2021. Based on the assessment of the Company, a lower provision ratio should be applied on such receivables after considering certain factors, including the financial situation and repayment ability of ZhengTong, as compared to other customers in the third loss stage. As a result, the Company applied a higher overall provision ratio on the loans and receivables balances as at 31 December 2021 and recorded an increase in allowances for impairment losses. For further details, please refer to notes 13 and 26(a) to the financial statements and the table set out below:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Loans and advances to customers	1,191,733	369,426
Finance lease receivables	2,997	565
Bills receivable	75,235	—
Other assets	46,483	11,409
Total	1,316,448	381,400

MANAGEMENT DISCUSSION AND ANALYSIS

Net Loss

For the year ended 31 December 2021, the Company recorded a net loss of approximately RMB840 million as compared to a net profit of the Company of approximately RMB55 million in 2020.

Cash and Deposits with Central Bank

As at 31 December 2021, the Company's cash and deposits with central bank amounted to approximately RMB0.5 million (2020: RMB5 million). The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company deposited the statutory deposit reserves.

Deposits with Banks

As at 31 December 2021, deposits with banks amounted to approximately RMB255 million, representing an increase of 182.5% as compared to approximately RMB90 million as at 31 December 2020, which was mainly attributable to the loan repayments received by the Company from customers.

Loans and Advances to Customers

As of 31 December 2021, net loans and advances to customers amounted to approximately RMB2.44 billion, representing a decrease of 57.6% as compared to approximately RMB5.75 billion at the end of 2020. The Company's loan business mainly consists of auto loan business, among which, the gross balance of retail loans amounted to approximately RMB1.52 billion, representing a decrease of 57.4% as compared to approximately RMB3.56 billion at the end of 2020, while the gross balance of dealer's loans amounted to approximately RMB2.58 billion, remaining constant as compared to approximately RMB2.58 billion as at 31 December 2020.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Retail loans	1,516,458	3,563,067
Dealer's loans	2,581,294	2,581,294
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
Less: Allowances for impairment loss	(1,662,084)	(451,667)
Net loans and advances to customers	2,439,894	5,751,275

MANAGEMENT DISCUSSION AND ANALYSIS

Key terms of the Company's loan agreements include:

	For retail loan business	For dealer 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. 	

Placements from Banks

The placements from bank have been fully repaid by the Company with a nil balance of placements from bank as at 31 December 2021 (2020: RMB2.03 billion). The decrease was in line with the decrease in loan size.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements are mainly satisfied by share capital, placements from commercial banks and proceeds from loan products and services, which provided strong financial support to the Company's loans business. As at 31 December 2021, the Company's deposits with banks amounted to approximately RMB255 million, representing an increase of 182.5% as compared to approximately RMB90 million as at the end of 2020. There was no balance of placements from banks (2020: RMB 2.03 billion).

The Company's capital adequacy ratio increased from 59.37% as at 31 December 2020 to 68.37% as at 31 December 2021.

	As at 31 December	
	2021	2020
Core tier-one capital adequacy ratio	67.42%	58.38%
Tier-one capital adequacy ratio	67.42%	58.38%
Capital adequacy ratio	68.37%	59.37%
Liquidity ratio	2,143.02%	88.58%
Gearing ratio	4.48%	35.16%

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

FOREIGN EXCHANGE RISK

As the Company's business is primarily operated in mainland China and settled in Renminbi, there are no material foreign exchange risks. As at 31 December 2021, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net amount of approximately RMB36.3 million. The foreign exchange risk is considered to be low.

MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the year ended 31 December 2021, there was no material acquisition and disposal of the Company's material assets.

SIGNIFICANT INVESTMENT

As at 31 December 2021, the Company did not hold any significant investment in equity interest in any company.

CHARGES ON ASSETS

As at 31 December 2021, there were no charges on the Company's assets (2020: RMB2,357.21 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Company did not have any plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2021, the Company had 174 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 31 December 2021, approximately 96% of the Company's employees hold a bachelor's degree or above, and 20% hold a master's degree or above. In 2021, total staff costs of the Company amounted to approximately RMB63 million (2020: RMB70 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 Committee 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 year ended 31 December 2021, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

CONTINGENT LIABILITIES

The Company did not have any material contingent liabilities as at 31 December 2021.

CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

Facing the slowdown in growth of the domestic automobile industry and the trend of the complicated and ever-changing international landscape, the Company will provide more flexible, diverse, and innovative financial services by closely observing the market situation. The Company will promote its business with the use of financial technologies as well as under risk control to support the development of the real economy of the automobile industry. In 2022, the Company plans to mainly implement the following measures:

Firstly, it will fully cope with the decision of the regulatory authority on the liquidation of equity interests by the controlling Shareholder, facilitate a smooth handover between the incoming and outgoing Shareholders, strengthen the internal control system and further optimize the Company's corporate governance system to steadily promote the business transformation of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, it will make further dedication to the business of manufacturers and improve market penetration rate. It will strengthen the motivation of channel cooperation through professional training and in-store counseling, etc. Particularly, in the face of the rising trend of new energy vehicles, the Company will extensively explore cooperation opportunities with relevant car brands and seek financing opportunities along the new energy vehicle industry chain in order to provide for new business growth brought about by the upgrading of the consumer industry in the future. Upon the completion of liquidation of equity interest by the controlling Shareholder, the Company will fully leverage on the advantages in terms of financing as a financial institution and implement multi-channel financing strategies to improve the loan scale and the quality of financial services.

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lin Fan, aged 55, is an executive Director and the chairman of the Board. He is also the chairman of the Risk Management Committee. He joined the Company in February 2017 and is responsible for the overall strategic planning and business direction and management of the Company.

Mr. Lin has over 30 years' experience in the finance industry. From July 1988 to September 2015, Mr. Lin successively served in several managing positions with business and finance functions in Hubei and Sanxia branches, and the headquarters of China Construction Bank ("CCB"), including a vice president of the Hubei branch of CCB, the president of the Sanxia branch of CCB. From November 2015 to February 2017, he served as the vice chairman of the board of Shenzhen Han De Chuang Ke Finance Investment Co., Ltd. (深圳瀚德創客金融投資有限公司), a finance technology company. Mr. Lin received a bachelor's degree in finance and accounting from Zhongnan University of Economics and Law, formerly known as Zhongnan University of Economics), and a bachelor's degree in economic law from Wuhan University. He also received a doctoral graduate degree in national economics from Zhongnan University of Economics and Law. Mr. Lin was accredited as a senior accountant by CCB.

Mr. Shao Yongjun, aged 46, is an executive Director and a member of the Risk Management Committee. He joined the Company in March 2015 and is responsible for the overall strategic planning and business direction and management of the Company.

Mr. Shao has over 15 years' experience in management. Prior to joining the Company, Mr. Shao has served as the vice president and an executive director of ZhengTong responsible for its investor relations and auto financing business from July 2011 to April 2019. Mr. Shao received a bachelor's degree with a major in accounting from Shenzhen University and an executive master of business administration degree from Shanghai Jiao Tong University. He previously worked as an auditor of KPMG China, the general manager of Shenzhen Zhao Hong Yuan Technology Co., Ltd. (深圳市兆鴻源科技有限公司) and the vice president of Hua Xiang Group (華祥集團), a real property developing and investing company.

NON-EXECUTIVE DIRECTORS

Mr. Koh Tee Choong, aged 63, joined the Company as a non-executive Director in August 2018. Mr. Koh is a member of the Remuneration Committee and Nomination Committee.

Mr. Koh has extensive operational and management experience in the luxury-brand dealership market. Before his retirement from ZhengTong in June 2020, Mr. Koh was an executive director and the chief executive officer of ZhengTong. Prior to joining ZhengTong in January 2017, Mr. Koh served at BMW Asia Pte Ltd and was the president of BMW China Automotive Trading Ltd. (寶馬(中國)汽車貿易有限公司) to head up BMW China business. Mr. Koh received a diploma in business studies in November 1984 and a graduate diploma in marketing management in June 1986 from the Singapore Institute of Management. Mr. Koh received a master's degree in Business Administration from the University of Durham in December 1991 through distant learning. Mr. Koh also obtained a diploma in marketing from The Institute of Marketing in November 1986.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Guozhou, aged 56, joined the Company as a non-executive Director in September 2019.

Mr. Li has extensive accounting and management experience in the automobile manufacturing industry, including acting as the general manager of Dongfeng Peugeot Citroën Automobile Finance Co., Ltd. (東風標緻雪鐵龍汽車金融有限公司) and a deputy general manager of business and a member of the executive committee of Dongfeng Peugeot Citroën Automobile Co., Ltd. (神龍汽車有限公司). Mr. Li has served as a treasury manager of finance and accounting department of Dongfeng Motor Corporation (東風汽車集團有限公司), a Shareholder, from December 2018 to September 2020. Since September 2020, Mr. Li has served as the deputy general manager of Dongfeng Motor Finance Co., Ltd. (東風汽車財務有限公司). Mr. Li received a bachelor's degree in computer science and engineering from Southeast University (東南大學, formerly known as Nanjing College of Technology (南京工學院)) in July 1987. Mr. Li has also been recognized as a senior accountant by Dongfeng Motor Human Resources Department (東風汽車公司人事部). Mr. Li was previously a lecturer at Wuhan University of Technology (formerly known as Wuhan Jiaotong Technology University (武漢交通科技大學)).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Man Chung Francis, aged 57, joined the Company as an independent non-executive Director in February 2020. Mr. Wong is the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee and the Risk Management Committee.

He is currently a non-executive chairman of Union Alpha C.P.A. Limited, a non-executive director of Union Alpha CAAP Certified Public Accountants Limited, and a founding director and member of Francis M. C. Wong Charitable Foundation Limited. Mr. Wong holds a master's degree in management from Jinan University (暨南大學) in the PRC. He is also a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong. He is a practising certified public accountant and has over 30 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring or liquidation, family trust and wealth management. Mr. Wong is currently an independent non-executive director of the following companies listed on the Stock Exchange: Qeeka Home (Cayman) Inc. (stock code: 1739); Hilong Holding Limited (stock code: 1623); GCL-Poly Energy Holdings Limited (stock code: 3800); Greenheart Group Limited (stock code: 94); Integrated Waste Solutions Group Holdings Limited (stock code: 923); Wai Kee Holdings Limited (stock code: 610); Digital China Holdings Limited (stock code: 861), China Oriental Group Company Limited (stock code: 581) and IntelliCentrics Global Holdings Ltd. (stock code: 6819). During the period from June 2016 to August 2018 and from March 2017 to December 2019, he served as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd (stock code: 3768) and China New Higher Education Group Limited (stock code: 2001) respectively.

Ms. Liang Yanjun, aged 38, joined the Company as an independent non-executive Director in August 2018. Ms. Liang is the chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Ms. Liang is currently a partner at Javy Lawyers (北京嘉維律師事務所) (formerly known as Javy Tayn Lawyers (嘉維泰銀律師事務所)), a law firm in the PRC. Ms. Liang is well experienced in legal practice. She has previously practiced as a lawyer with various law firms in the PRC including Jingtian & Gongcheng (北京市競天公誠律師事務所), Beijing Maode Law Firm (北京懋德律師事務所) and B&D Law Firm (北斗鼎銘律師事務所). Ms. Liang received a law degree from China University of Political Science and Law (中國政法大學) in China and received her lawyer's practicing certificate granted by the Ministry of Justice of the PRC. She is also an independent non-executive director of Fu Shou Yuan International Group Limited, a company listed on the Stock Exchange (stock code: 1448).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Li Huihua, aged 49, was appointed as a Supervisor in March 2016, and became the chairman of the Board of Supervisors in May 2018.

Mr. Li has over 16 years of experience in financing and auditing. He joined ZhengTong in November 2012 as the general manager of the audit department. He has previously served as an auditor of Skyworth Group Co., Ltd (創維集團有限公司), and in the audit department and internal control department of Shenzhen SCAS Investment Group Co., Ltd (深圳市中汽南方投資集團有限公司). Mr. Li received a bachelor's degree in industrial management engineering from Hunan University. He was awarded as an accountant by the Ministry of Finance of the PRC and as a certified public accountant (non-practicing member) by the Chinese Institute of Certified Public Accountants.

Mr. Li Tao, aged 52, was appointed as a Supervisor in May 2018.

Mr. Li has over 22 years of legal experience. Mr. Li was the general manager of the legal department of ZhengTong between August 2016 and February 2020. From September 1996 to July 2016, Mr. Li was the president of the civil court in Higher People's Court. Mr. Li received a bachelor's degree in economics law from Wuhan University (武漢大學) in July 1996 and a master's degree in law from Wuhan University (武漢大學) in February 2003.

Ms. Wang Qing, aged 32, was appointed as the employee representative Supervisor in May 2018. She joined the Company in April 2016 and is currently the manager of the legal department.

Prior to joining the Company, Ms. Wang worked at the Shanghai Branch of Ping An Data Technology (Shenzhen) Co., Ltd. (平安數據科技(深圳)有限公司上海分公司) and Sunshine P&C Insurance Co., Ltd. (陽光財產保險股份有限公司). Ms. Wang received from Shanghai University a bachelor's degree in law in 2012 and a master's degree in law in 2019.

SENIOR MANAGEMENT

Mr. Li Yi, aged 48, joined the Company as the president in May 2017. Mr. Li is responsible for the overall business operations and management of the Company.

Mr. Li has over 15 years of dealership and auto finance experience. Mr. Li joined ZhengTong in February 2004 and has served as the general manager of Hubei Xinrui Automobile Sales and Service Co., Ltd. (湖北欣瑞汽車銷售服務有限公司), the general manager of Hubei Dingjie Automobile Sales and Service Co., Ltd. (湖北鼎傑汽車銷售服務有限公司), the general manager of the operating management department and chief operating officer of ZhengTong. He also served as an executive director from November 2015 to March 2017. He was responsible for the establishment of the Company and has been closely involved in the operations and strategic planning of the Company's business.

Mr. Li received his bachelor's degree in automobile from Wuhan Automobile Polytechnic University (武漢汽車工業大學, currently known as Wuhan Science and Technology University). Since March 2013, Mr. Li has been the vice president of the China Auto Dealers Chamber of Commerce (全國工商聯汽車經銷商商會).

Mr. Xu Shuo, aged 49, joined the Company in August 2017 and is the chief information officer of the Company. Mr. Xu is responsible for the information system management and technology risk management of the Company.

Mr. Xu has over 15 years of experience in the information system and technology sector. Mr. Xu has served in various technology companies including International Business Machine (China) Co., Ltd.* (國際商業機器(中國)有限公司), PTC (NASDAQ: PTC) in China, and Oracle (China) Software System Co., Ltd. (甲骨文(中國)軟件系統有限公司). Mr. Xu received a bachelor's degree in fluid transmission and control from Shanghai Jiao Tong University and a master's degree in business administration from National School of Development at Peking University and Vlerick Leuven Gent Management School (currently known as Vlerick Business School).

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise 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.

RESULTS

The Company's results for the year ended 31 December 2021 and financial position as at 31 December 2021 are set out in pages 49 to 50 of this annual report.

BUSINESS REVIEW

Business performance, financial review, business review as well as prospects and strategies of the Company are set out in the section headed "Management Discussion and Analysis". Certain key financial indicators are provided in the section headed "Five Year Financial Summary".

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Company for the past five years is set out in the section headed "Five Year Financial Summary".

PLACEMENTS FROM BANKS

Details of the placements from banks of the Company are set out in note 19 to the financial statements.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Company during 2021 are set out in note 16 to the financial statements.

SHARE CAPITAL

As at 31 December 2021, the aggregate share capital of the Company was RMB2,139,651,400, divided into 2,139,651,400 ordinary shares of the Company at RMB1 each, including 539,651,400 H Shares, 80,000,000 Domestic Shares and 1,520,000,000 Unlisted Foreign Shares. Details of movements in share capital for the year ended 31 December 2021 are set out in the statement of changes in equity and note 24 to the financial statements.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in reserves of the Company for the year ended 31 December 2021 are set out in the statement of changes in equity and note 24 to the financial statements.

As at 31 December 2021, there were no distributable reserves by the Company as calculated in accordance with the PRC rules and regulations.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

No interim dividend has been declared by the Company in 2021 (2020: nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who will be entitled to attend and vote at the annual general meeting, the Company's H shares register of members will be closed from Thursday, 9 June 2022 to Tuesday, 14 June 2022 (both days inclusive), during which period no transfer of H Shares will be effected. In order for the H Shareholders to qualify for attending and voting at the annual general meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Wednesday, 8 June 2022.

RETIREMENT BENEFITS

Details of retirement benefits schemes of the Company are set out in note 6 to the financial statements. The Company made contributions to the retirement benefits scheme organised by the PRC municipal government and the mandatory provident fund ("MPF") scheme set up under the Mandatory Provident Fund Schemes Ordinance for its qualified employees in the PRC and Hong Kong respectively.

Under the retirement benefits scheme organised by the PRC municipal government, the Company is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

For qualified employees in Hong Kong, the assets of the MPF scheme in Hong Kong are held separately from those of the Company in funds under the control of an independent trustee. Contributions under the MPF scheme are made based on a percentage of the participating employees' relevant income from the Company and are charged to the profit or loss as they become payable in accordance with the rules of the MPF scheme. The only obligation of the Company with respect to the MPF scheme is to make the required contributions. When an employee leaves the MPF scheme, the mandatory contributions are fully vested with the employee.

REPORT OF THE DIRECTORS

USE OF PROCEEDS

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 31 December 2021, the Company had utilised the proceeds as follows:

Use of net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net proceeds as at 31 December 2020 (RMB million)	Utilised during the year ended 31 December 2021 (RMB million)	Unutilised net proceeds as at 31 December 2021 (RMB million)
Fund the self-operated retail loans to be disbursed to external customers	889.83	—	—	—
Develop network of external dealers	68.45	36.17	30.25	5.92
Fund self-operated retail loans to be disbursed to ZhengTong customers	205.34	—	—	—
Develop technological, operational and risk management capabilities	68.45	41.49	19.42	22.07
General working capital	136.90	—	—	—
Total	1,368.97	77.66	49.67	27.99

The unutilised net proceeds of approximately RMB27.99 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.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the single largest customer and the five largest customers in aggregate of the Company accounted for 21.4% and 33.5% of the Company's revenue for the year ended 31 December 2021 respectively. Due to the nature of the Company's business, the disclosure relating to major suppliers is not applicable.

As far as the Directors are aware, save for the single largest customer of the Company being group companies of ZhengTong, neither the Directors, their close associates, nor Shareholders who own more than 5% of the Shares as at 31 December 2021 had any interest in any of the five largest customers disclosed above.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS OF THE COMPANY

The Directors and Supervisors of the Company during the year and up to the date of this report were:

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

Supervisors

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

On 26 May 2021, the annual general meeting of the Company was held, at which (i) Mr. Lin Fan and Mr. Shao Yongjun were elected as executive Directors of the second session of the Board; (ii) Mr. Koh Tee Choong and Mr. Li Guozhou were elected as non-executive Directors of the second session of the Board; and (iii) Mr. Wong Man Chung, Francis and Ms. Liang Yanjun were elected as independent non-executive Directors of the second session of the Board.

The biographical information of the Directors and Supervisors are set out in the section headed “Profiles of Directors, Supervisors and Senior Management” in this annual report.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 31 December 2021, 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 controlling shareholder of the Company, holds 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 31 December 2021, none of the Directors, Supervisors, chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange under the Model Code.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2021, the interests or short positions of the other persons (other than Directors, Supervisors, and the chief executive of the Company) in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司)	Unlisted Foreign Shares	Long	Beneficial owner ¹	1,520,000,000	100.00	71.04
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
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
Seahawk China Dynamic Fund	H Shares	Long	Beneficial owner	33,335,000	6.18	1.56
Canepa Funds ICAV Xingtai China Fund	H Shares	Long	Beneficial owner	27,000,000	5.00	1.26

Notes:

- These 1,520,000,000 Shares were registered in the name of and beneficially owned by China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司).
- According to the disclosure of interests form filed by Xingtai Capital Management Limited on 12 January 2021, Xingtai Capital Management Limited held 94,922,000 H Shares in the capacity as an investment manager to Xingtai China Master Fund, Canepa Funds ICAV – XINGTAI CHINA FUND and Milltrust International Investments SPC – Milltrust Xingtai China Fund SP.
- According to the disclosure of interests form filed by TX Capital (HK) Limited on 31 July 2019, TX Capital (HK) Limited held 44,948,000 H Shares in the capacity as an investment advisor to TX Capital Value Fund. Accordingly, it is deemed to be interested in the H shares of the Company held by TX Capital Value Fund.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers they are independent.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

As at 31 December 2021, none of the Directors nor Supervisors had entered into a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of remunerations for the Directors and Supervisors for the year ended 31 December 2021 are set out in note 8 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to the business of the Company to which the Company was a party and in which a Director or Supervisor or entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year or at anytime during the year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

The particulars of the contracts of significance between the Company and ZhengTong or its subsidiaries or the contracts of significance for the provision of services to the Company by ZhengTong or its subsidiaries are set out under section headed "Continuing Connected Transactions" in this annual report.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2021 was the Company a party to any arrangement to enable the Directors or Supervisors to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, Supervisors, nor their associates own any interests in businesses which compete or are likely to compete with the businesses of the Company nor have other interest that conflicts with the Company.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the continuing connected transactions between the Company and ZhengTong and its associates (as defined under the Listing Rules) were as follows:

(i) Administrative Cost Reimbursement Framework Agreement

Date:	1 March 2019
Parties:	(1) The Company (2) ZhengTong
Objective:	The Company would reimburse the administrative cost that may be incurred by ZhengTong dealers in assisting the Company with administrative tasks. Such costs primarily include, among others, labor fee, printing fee, postage fee, telephone fee and transportation fee, and arise in instances where ZhengTong dealers provide assistance to the Company in relation to the provision of retail loans.
Term:	From the Listing Date to 31 December 2021, subject to early termination by mutual agreement of the parties.
Pricing:	The administrative cost incurred by ZhengTong dealers are reimbursed by the Company on an as-incurred basis and in compliance with any applicable guiding standards set by the relevant authorities.

The annual cap for the administrative cost reimbursement for the year 2021 is RMB26 million. For the year ended 31 December 2021, the actual transaction amount was RMB0.2 million.

(ii) Revolving Loan Facility Framework Agreement

Date:	1 March 2019
Parties:	(1) The Company (2) ZhengTong
Objective:	The Company has been providing dealer financing loans to certain dealers, which is common practice for AFCs in the PRC. The dealer network includes ZhengTong dealers and external dealers. Pursuant to the Revolving Loan Facility Framework Agreement, the Company agreed to provide revolving loan facility to ZhengTong dealers to facilitate their purchase of cars.
Term:	From the Listing Date to 31 December 2021, subject to early termination by mutual agreement of the parties.
Pricing:	The interest rates for the loans shall be determined by reference to the interest rate published by the People's Bank of China ("PBOC") for a similar type of loan plus a mark-up rate in line with the market practice ranging from 49.4% to 95.4% of the interest rate published by the PBOC. The Company may also adjust the interest rates to comply with any applicable guiding standards (if any) set by the relevant authorities (e.g. the PBOC and CBIRC).

REPORT OF THE DIRECTORS

The annual cap for the maximum outstanding loan balance to be provided by the Company to ZhengTong for the year 2021 is RMB1,500 million. For the year ended 31 December 2021, the actual maximum outstanding loan balance was RMB1,440.04 million. The annual cap for the interest income for the year 2021 is RMB128 million. For the year ended 31 December 2021, the actual interest income was RMB66.96 million.

(iii) Joint Promotion Framework Agreement

Date: 1 March 2019

Parties: (1) The Company
(2) ZhengTong

Objective: The Company entered into joint promotion arrangements with ZhengTong dealers to promote the sale of specific car models. Under such arrangements, the ZhengTong dealers offered interest subsidies to their customers who get their financing from the Company for purchasing the specific car models under promotion.

The Company would directly deduct the interest subsidies from the loan amount and recorded as deferred income, which is to be recorded and amortized in interest income during the loan tenor.

Term: From the Listing Date to 31 December 2021, subject to early termination by mutual agreement of the parties.

Pricing: The interest rate the Company charged under the joint promotion arrangements was the same as the standard interest rate. The interest revenue recognized has been pre-determined in accordance with the interest subsidies provided by ZhengTong dealers to end customers when the Company disbursed the retail loans under the joint promotion arrangement.

The annual cap for the interest income recognized from the interest subsidies provided by ZhengTong dealers for the year 2021 is RMB2 million. For the year ended 31 December 2021, the actual interest income was RMB1.2 million.

In the opinion of the independent non-executive Directors, the non-exempt continuing connected transactions entered into by the Company were:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the continuing connected transactions undertaken by the Company for the year ended 31 December 2021. KPMG has confirmed that nothing has come to their attention that causes them to believe the continuing connected transactions:

- (i) have not been approved by the Board of Directors;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Company as stated in this annual report;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the respective proposed annual caps.

The Directors consider that save for the transactions relating to subsidies received from an automaker which were settled through ZhengTong and its dealers pursuant to the pass-through arrangement; certain interest income relating to overdue loans; receivables from ZhengTong and its dealers due to loans cancellation; and certain bills receivable from ZhengTong's subsidiary (as disclosed in note 27 to the financial statements) which do not constitute connected transactions, the material related party transactions disclosed in note 27 to the financial statements constituted connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules in respect of those transactions.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC.

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

During the year ended 31 December 2021, the Company did not purchase, sell or redeem any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

The independent non-executive Directors, having considered the written confirmation from the controlling Shareholder, are of the view that during the year ended 31 December 2021, the controlling Shareholder had complied with non-competition undertaking to the Company.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021 and as at date of approval of this report, the Company has arranged appropriate directors' and officers' liability insurance cover in respect of losses or liabilities which may be sustained or incurred by the Directors in the execution of the duties of his/her office or otherwise in relation thereto.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the sub-section headed "Enforcement of Administrative Decision and Termination of the Discussions on the Potential Disposal" in the "Management Discussion and Analysis" section of this report, the Board is not aware of any significant and important events requiring disclosure that have taken place subsequent to 31 December 2021 and up to the date of this report.

CORPORATE GOVERNANCE

For the year ended 31 December 2021, the Company has complied with all code provisions of the Corporate Governance Code. Details are set out in the section headed "Corporate Governance Report".

AUDITOR

KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

SUFFICIENCY OF PUBLIC FLOAT

On the basis of publicly available information and to the best knowledge of the Company and its directors, more than 25% of the Company's total issued share capital is held by the public (as defined under the Listing Rules) for the year ended 31 December 2021.

By order of the Board

Lin Fan
Chairman

29 March 2022

REPORT OF THE BOARD OF SUPERVISORS

In 2021, the Board of Supervisors of Shanghai Dongzheng Automotive Finance Co., Ltd. conscientiously performed its supervisory and other duties, and honored its commitments to supervise and manage in strict compliance with the Articles of Association. This ensured a sound and stable development of the Company, and safeguarded the legal interests of the Shareholders as a whole. By inspecting relevant documents, information of the Company, financial reports, as well as attending Board meetings and the Shareholders' general meetings, the Board of Supervisors effectively supervised the operation status, financial positions, connected transactions and internal control of the Company. During the reporting period, the Board of Supervisors formed independent opinions on such matters of the Company as follows:

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

In 2021, the Board of Supervisors held four meetings. The number of Supervisors in attendance formed sufficient quorums of the meetings.

The first meeting of the Board of Supervisors was held in January 2021, at which, among others, the comprehensive risk stress testing report; annual review of Shareholders' qualifications; 2020 internal audit report, and 2021 internal audit plan; the performance of directors and senior management were reviewed and approved.

The second meeting of the Board of Supervisors was held in March 2021, at which, among others, the annual work report of the Company for 2020 and the 2021 business plan; 2020 external audit report; 2020 profit distribution proposal; 2021 performance appraisals plan; the comprehensive risk management report for 2020 were reviewed and approved.

The third meeting of the Board of Supervisors was held in August 2021, at which, among others, the interim report; the internal audit report for the first half of 2021; the comprehensive risk management report for the first half of 2021; and the remuneration of the Directors, Supervisors and senior management for 2021 were reviewed and approved.

The fourth meeting of the Board of Supervisors was held in December 2021, at which, among others, the amendment of the Evaluation Standard on Performance of Directors, Supervisors and Senior Management (《董監高履職評價準則》) and the Rules of Procedure for Meetings of the Board of Supervisors (《監事會議事規則》) were reviewed and approved.

The Board of Supervisors focuses on the supervision and assessment of the performance of the Directors, Supervisors and senior management. In 2021, in accordance with laws and regulations, such as the Guidelines for the Performance Assessment and Supervision of Banking Financial Institutions (銀行業金融機構績效考評監管指引), the Guidelines for Corporate Governance of Commercial Banks (商業銀行公司治理指引), and the Guidelines for the Work of the Board of Supervisors of Commercial Banks (商業銀行監事會工作指引), and based on the specific condition of the Company, the Board of Supervisors conducted assessments from five dimensions, including loyalty, diligence, professionalism, independence and ethical standards, and compliance.

REPORT OF THE BOARD OF SUPERVISORS

II. THE INDEPENDENT VIEWS OF THE BOARD OF SUPERVISORS ON THE OPERATION OF THE COMPANY

During the reporting period, the Board of Supervisors supervised the convening procedures of, and the matters to be resolved at, Shareholders' general meetings and Board meetings, the implementation of the resolutions of the Shareholders' general meetings by the Board, the legality of and compliance with rules and regulations by the senior management of the Company during their performance of duties, and the implementation of all control systems throughout the Company in accordance with the relevant PRC laws and regulations, the Listing Rules issued by the Stock Exchange and guidance documents of the Company related to governance.

Following supervision on the Directors and senior management of the Company, the Board of Supervisors is of the view that the Board performed their work in 2021 in strict compliance with the Company Law, the Securities Law, the Listing Rules of the Hong Kong Stock Exchange, the Articles of Association and other relevant laws, rules and regulations. The Board of Supervisors also considers that all Directors were meticulous and responsible for their work, made operating decisions in a scientific and democratic manner, and thoroughly implemented the internal control system. The decision of the Company on significant matters was reasonable and the decision-making procedures were legal and valid. The Directors and the senior management of the Company complied with the requirements of laws, administrative regulations and the Article of Association in performing their duties, and diligently acted in good faith to safeguard the interests of the Company.

In 2022, the Board of Supervisors will strictly follow the relevant requirements under the Company Law, the Securities Law and the Articles of Association, and supervise the performance and conduct of the Board and senior management in accordance with laws. In compliance with the requirements of the modern enterprise system, the Board of Supervisors will also urge the Company to enable all staff to have an in-depth understanding of the rules and regulations of the Company and improve the standard of governance. In addition, the Board of Supervisors will continue to enhance and fulfill its supervisory function, conscientiously perform its duties, and attend meetings of the Board according to the law. In doing so, it will keep abreast with the decision-making of material matters of the Company as well as the legitimacy of relevant procedures so as to better protect the interests of the Company and the Shareholders.

By order of the Board of Supervisors

Li Huihua
Chairman

29 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company also acknowledges the vital importance of good corporate governance to the success and sustainability of the Company.

The Board is of the view that during the year ended 31 December 2021, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code.

The Company will periodically review and enhance its corporate governance practices to ensure that it will continue to comply with the requirements of the Corporate Governance Code.

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 for the year ended 31 December 2021.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board consists of six Directors, including two executive Directors, two non-executive Directors and two independent non-executive Directors.

The Directors of the Company for the year ended 31 December 2021 and up to the date of this report were:

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

CORPORATE GOVERNANCE REPORT

The Company has listed independent non-executive Directors in all corporate communications pursuant to the Listing Rules. The latest list of Directors (by category) which specifies their roles and functions was also disclosed in the websites of the Company and the Stock Exchange pursuant to the Listing Rules.

None of the members of the Board is related to one another.

Following the resignation of Mr. Lin Zheyang from the position of independent non-executive Director since 30 June 2020, the Company failed to meet the following requirements: (i) the Board must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; and (ii) the composition of the Audit Committee under Rule 3.21 of the Listing Rules. The Company has applied and the Stock Exchange has granted a waiver from strict compliance with the abovementioned Listing Rules up to 31 August 2022.

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

The Company has received written annual confirmation of independence from all independent non-executive Directors and considers all independent non-executive Directors are independent.

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

Responsibilities

The Board is collectively responsible for leading and managing the Company and overseeing the businesses, strategic decisions and performance of the Company. The Board has delegated the president of the Company authority to assign the authority and responsibility for the daily management and operation of the Company to the senior management. In addition, the Board has established Board committees (the "Committees") and has delegated to these Committees various responsibilities as set out in their respective terms of reference.

All Directors have performed their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

Delegation by the Board

The Board reserves its rights to make decisions on all major matters of the Company, including the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, major transactions (in particular those which may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary of the Company, with a view to ensuring that the procedures of the Board and all applicable rules and regulations are followed. Each Director may request the Board to seek independent professional advice in appropriate circumstances at the expense of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chairman and president of the Company. Its delegated functions and responsibilities are periodically reviewed by the Board. Any major transactions of the Company shall be subject to the approval of the Board.

CORPORATE GOVERNANCE REPORT

The Company has arranged appropriate insurance cover in respect of possible legal actions against its Directors, Supervisors and senior management.

Appointment and Re-election of Directors

The procedures and processes of appointment, re-election and removal of Directors are specified in the Articles of Association. The Nomination Committee is responsible for reviewing the structure, size, board diversity and composition of the Board, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Details of the Nomination Committee are set out in the section headed “Board Committees” below.

Each of the Directors has entered into a service contract with the Company.

The Directors (including non-executive Directors) are typically appointed for a term of three years or upon the expiry of the session of the Board (if shorter) and eligible for re-election upon expiry of their term of office. The second session of the Board has a term of three years beginning in June 2021.

Board Diversity

In determining the composition of the Board, the Company considers whether a candidate will bring potential complementary benefits to the Board and contribute to the improvement of the overall competence, experience and expertise of the Board. The Company may consider the diversity of the composition of the Board in various aspects, including professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as well as any other factors that the Board from time to time deems relevant and appropriate. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Nomination Committee will review the above board diversity policy as and when appropriate to ensure its effectiveness.

Induction and Continuing Development of Directors

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Directors’ responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The existing Directors are continuously updated with developments in legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities. The Company arranged seminar for Directors from time to time on changes in the Listing Rules and other applicable regulations.

CHAIRMAN AND PRESIDENT

During the year under review, the posts of chairman and president of the Company are held separately by Mr. Lin Fan (executive Director) and Mr. Li Yi, respectively, neither of whom have any financial, business, family or other relationship with each other. This separation ensures that there is a clear division of responsibilities of the management of the Board and the day-to-day management of business of the Company to ensure a balance of power and authority. The president of the Company is responsible for leading the day-to-day management of the Company, implementing the strategic plans and business goals of the Company and formulating and recommending business plans and budgets to the Board whereas the chairman of the Board is responsible for leading the Board and ensuring good corporate governance practices and procedures are established.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS

The attendance of the Directors at the general meetings, Board meetings and Committee meetings for the year ended 31 December 2021 was as follows:

Members of the Board of Directors	Number of Meeting Attended/Held during Tenure of Office					
	General Meetings	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Executive Directors						
Mr. Lin Fan (<i>Chairman</i>)	1/1	8/8	N/A	N/A	N/A	3/3
Mr. Shao Yongjun	1/1	8/8	N/A	N/A	N/A	3/3
Non-Executive Directors						
Mr. Koh Tee Choong	1/1	8/8	N/A	2/2	1/1	N/A
Mr. Li Guozhou	1/1	8/8	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Wong Man Chung Francis	1/1	8/8	4/4	2/2	1/1	3/3
Ms. Liang Yanjun	1/1	8/8	4/4	2/2	1/1	N/A

Note: The attendance is calculated based on the respective number of meetings where the relevant Director is eligible to attend.

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

During the year ended 31 December 2021, the Company held a total of 8 Board meetings. At the Board meetings, the Board reviewed and approved annual results for the year ended 31 December 2020, interim results for the six months ended 30 June 2021 and other significant matters of the Company.

The Company has sent agenda and documents of each meeting of the Board and the Committees and served notices of meetings in advance in accordance with the relevant requirements under the Articles of Association and the Listing Rules.

Documents of the Board meetings together with all appropriate, complete and reliable information are sent to all Directors at least three business days before the date of each Board meeting or Committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are circulated to Directors or relevant Committee members for comments and records respectively. Minutes of Board meetings and Committee meetings are kept by the joint company secretaries of the Company and are available for inspection by all Directors at all reasonable time.

The Articles of Association contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his/her associates have a material interest.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the chairman of the Company has, in accordance with the relevant requirement under the Corporate Governance Code, held a meeting with all independent non-executive Directors without the presence of other Directors.

BOARD COMMITTEES

The Board has established four committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee are established with defined written terms of reference. These terms of reference are posted on the websites of the Company and the Stock Exchange and are available for inspection by the Shareholders upon request. These committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations. During the year ended 31 December 2021, 2 meeting of the Remuneration Committee, 1 meeting of the Nomination Committee, 4 meetings of the Audit Committee and 3 meetings of the Risk Management Committee were held respectively.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including two independent non-executive Directors, Mr. Wong Man Chung Francis and Ms. Liang Yanjun, and one non-executive Director, Mr. Koh Tee Choong. Mr. Wong is the chairman of the Remuneration Committee.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the remuneration policy and structure of the Company for all Directors and senior management and establishing a formal and transparent procedure of the formulation of the remuneration policy. The responsibilities of the Remuneration Committee also include reviewing and approving the remuneration proposals of the management with reference to the corporate goals and objectives of the Board, and ensuring that no Director or any of his/her associates participates in the determination of his/her own remuneration.

During the year ended 31 December 2021, the Remuneration Committee held 2 meetings. The Remuneration Committee has performed the following works during the year: (i) considering and reviewing the remuneration policies and strategies of the Company; (ii) assessing the performance of executive Directors and senior management; and (iii) making recommendations to the Board on remuneration of Directors and senior management.

Details of remuneration of the Directors are set out in note 8 to the financial statements. Details of remuneration of senior management of the Company for the year ended 31 December 2021 by band are as follows:

	Number of senior management
RMB1,000,000–RMB2,000,000	2

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, including two independent non-executive Directors, Ms. Liang Yanjun and Mr. Wong Man Chung Francis, and one non-executive Director, Mr. Koh Tee Choong. Ms. Liang is the chairlady of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations regarding any proposed changes, identifying suitable candidates for appointment as Directors, making recommendations to the Board on the proposed appointment or re-appointment and succession of Directors and assessing the independence of independent non-executive Directors. The Nomination Committee will also review the board diversity policy as and when appropriate to ensure its effectiveness and discuss any revisions that may be required in the light of the corporate strategies of the Company and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2021, the Nomination Committee held 1 meeting. The Nomination Committee has performed the following works during the year: (1) reviewing the structure, size, board diversity and composition of the Board to ensure the professional knowledge, skills and experience of the Board to meet the business needs of the Company; (2) reviewing the confirmation of independence and assessing independence of independent non-executive Directors; and (3) making recommendations to the Board on proposed appointment of Directors.

Audit Committee

As at the date of this report, the Audit Committee comprises two members, who all are independent non-executive Directors, namely Mr. Wong Man Chung Francis and Ms. Liang Yanjun. Mr. Wong is the chairman of the Audit Committee.

The Audit Committee is primarily responsible for reviewing financial information of the Company, monitoring the independence and objectiveness of the external auditors and the effectiveness of the auditing process and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the approval of their remuneration and terms of engagement. The Audit Committee is also responsible for reviewing the financial reporting process and financial controls, internal controls and risk management systems, including the adequacy of resources, staff qualifications and experience, training programmes and budgets of the internal audit functions as well as arrangements for concerns about possible misconducts in financial reporting, internal controls or other matters raised by employees of the Company.

The Audit Committee reviews the annual report, accounts and interim report of the Company before submission to the Board for approval.

During the year ended 31 December 2021, the Audit Committee held 4 meetings. The Audit Committee has performed the following works during the year: (i) reviewing the annual results for the year ended 31 December 2020; (ii) reviewing the interim results for the six months ended 30 June 2021; (iii) reviewing the financial reporting procedures and compliance procedures, as well as the report of internal audit on internal controls and risk management system; and (iv) discussing with external auditors the nature and scope of the audit and reporting obligations.

Risk Management Committee

As at the date of this report, the Risk Management Committee comprises three members, including two executive Directors, Mr. Lin Fan and Mr. Shao Yongjun, and an independent non-executive Director, Mr. Wong Man Chung Francis. Mr. Lin is the chairman of the Risk Management Committee.

The Risk Management Committee is primarily responsible for assisting the Board in carrying out comprehensive risk management and strategic planning, formulating basic risk management standards, supervising comprehensive risk management practices of senior management, regularly evaluating the Company's risk policies, management performance and risk tolerance, and advising the Board on risk management improvements.

During the year ended 31 December 2021, the Risk Management Committee held 3 meetings. The Risk Management Committee has performed the following works during the year: (i) evaluation of the Company's risk policies; and (ii) proposing improvements to risk management policies and procedures to the Board.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, financial and other disclosures prepared in accordance with the Listing Rules and other applicable statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial statements of the Company, which are put to the Board for approval.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties:

- (a) to develop and review the policies and practices on corporate governance of the Company;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (c) to review and monitor the policies and practices on compliance with any requirements, directions and regulations that may be prescribed by the Board or contained in any constitutional documents of the Company or imposed by the Listing Rules, the applicable laws and other applicable organisational governance standards;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Company's compliance with the corporate governance code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual reports.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company in respect of its reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on page 43.

The remuneration received by the Company's auditor, KPMG, during the year ended 31 December 2021 is set out below:

Category of Services	Fee Paid/Payable (RMB'000)
Audit Services	3,600
Non-audit Services	—
Total	3,600

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective risk management and internal control systems to safeguard the investments of the shareholders and the assets of the Company.

The Company established an internal audit function and environmental, social and governance (“ESG”) committee to assist the Board and the Audit Committee to monitor the risk management and internal control systems and is committed to conducting, at least annually, a review of the effectiveness of the risk management and internal control systems of the Company, including adequacy of resources, qualifications and experience of the accounting and financial reporting personnel of the Company, and the training programmes and budget thereof as well as those relating to the Company’s ESG performance and reporting.

The Board, through the Audit Committee, has conducted a review on the risk management and internal control systems of the Company during the year ended 31 December 2021. Such review covered the finance, operation, supervision and risk management of the Company. The Board confirmed that the risk management and internal control systems of the Company are sound, effective and sufficient.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and ongoing communication with shareholders is essential for enhancing investor relations and investors’ understanding of the business performance and strategies of the Company. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables effective evaluation of the performance of the Company by shareholders and investors.

The Company facilitates communication between the Board and its shareholders through general meetings, and it communicates with the shareholders, investors and the general public through annual reports, interim reports and other corporate announcements.

The Company strives to maintain a high level of investor access through a range of investor relations activities, and regularly meets with institutional investors from overseas and Mainland China to keep the investors abreast of the major developments and strategies of the Company.

To facilitate communication, the Company maintains a website at <http://www.dongzhengafc.com>, where updates on the Company’s structure, the Board, business developments and operations, financial information, corporate governance practices and other information are posted for public access.

COMPANY SECRETARY

As at the date of this report, Mr. Chan Pak Hung is the company secretary of the Company. He is an employee of the Company and has appropriate understanding of the Company’s business. As company secretary, he is responsible for supporting the daily operation of the Board and ensuring compliance with the policies and procedures of the Board. All of the Directors can access opinions and use the service of the company secretary to ensure that the procedures of the Board and the applicable laws, rules and regulations are being complied with. The company secretary met the requirement on professional training under the Rule 3.29 of the Listing Rules in 2021.

CORPORATE GOVERNANCE REPORT

RIGHTS OF SHAREHOLDERS

A summary of certain rights of the shareholders which shall be disclosed by the Company in accordance with the mandatory disclosure requirement under Paragraph K of the Corporate Governance Code is set out below:

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to Article 90 of the Articles of Association, Shareholders who request an extraordinary general meeting or a general meeting of a class of Shareholders shall comply with the following procedures:

- (i) two or more Shareholders who together hold 10% or more of the shares carrying the right to vote in the meeting contemplated to be held can request the Board to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.
- (ii) if no notice of convening a general meeting was issued within 30 days after the Board receiving the abovementioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within 4 months after the Board receiving the abovementioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board as much as possible.

Procedures for Shareholders to submit proposal in a general meeting

Pursuant to Article 71 of the Articles of Association, when the Company convenes a general meeting, the Board, the Board of Supervisors, and the Shareholders individually or jointly holding 3% or more of the Company's shares may submit proposals to the Company. Shareholders may submit temporary proposals in writing to the convener at least 10 days prior to the general meeting date. The convener shall then send a supplemental notice to the Shareholders to announce the temporary proposal, within 2 days upon receipt of such proposal.

Procedures for Shareholders to make enquiries to the Company

For matters in relation to the Board, the Shareholders may contact the Company at Unit 5905, 59/F., The Center, 99 Queen's Road Central, Hong Kong.

For matters in relation to share registration, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholders may contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There was no change to the Articles of Association during the year 2021. The latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Shanghai Dongzheng Automotive Finance Co., Ltd.

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

OPINION

We have audited the financial statements of Shanghai Dongzheng Automotive Finance Co., Ltd. ("the Company") set out on pages 49 to 116, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section* of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Loss allowances of loans and advances to customers	
<i>Refer to Note 13 to the financial statements and the accounting policies in Note 1(h).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the Company's loans and advances to customers amounted to RMB4,101,978 thousands, with allowances for impairment losses amounting to RMB1,662,084 thousands.</p> <p>The Company uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with Hong Kong Financial Reporting Standard 9 – Financial instruments. The Company classifies loans and advances to customers into three different stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the loan and advance to customer, depending on whether credit risk on that loan and advance to customer has increased significantly since initial recognition.</p>	<p>Our audit procedures to assess loss allowances of loans and advances to customers included the following:</p> <ul style="list-style-type: none"> understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans, the credit grading process and the measurement of loss allowances of loans and advances to customers; with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate and adjustments for forward-looking information; assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Loss allowances of loans and advances to customers (continued)	
<i>Refer to Note 13 to the financial statements and the accounting policies in Note 1(h).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>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 and impact of the COVID-19. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Company's internal credit risk management strategy. The expected credit losses for loans and advances to customers are derived from estimates whereby management takes into consideration historical overdue data and the historical loss experience for loans.</p> <p>We identified the loss allowances of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Company.</p>	<ul style="list-style-type: none"> ➤ for key parameters derived from internal data relating to original loan agreements, by comparing the total balance of the loan list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan list. ➤ for key parameters involving judgement, by seeking evidence from external sources and comparing to the Company's internal records including historical loss experience. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. ➤ for key parameters which were derived from system-generated internal data, by assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information for selected samples.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Loss allowances of loans and advances to customers (continued)	
<i>Refer to Note 13 to the financial statements and the accounting policies in Note 1(h).</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We checked loan overdue information. For dealer's loans, we made enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses. recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively. evaluating whether the disclosures on loss allowance of loans and advances to customers meet the disclosure requirements in Hong Kong Financial Reporting Standard 7 – Financial instruments: Disclosures.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is PANG Shing Chor Eric.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEfor the year ended 31 December 2021
(Express in thousands of Renminbi, unless otherwise stated)

	Note	2021 RMB'000	2020 RMB'000
Interest income		343,818	743,352
Interest expenses		(63,499)	(248,209)
Net interest income	3	280,319	495,143
Fee and commission income		34,503	73,312
Fee and commission expenses		(785)	(805)
Net fee and commission income	4	33,718	72,507
Other net income	5	2,083	9,521
Operating income		316,120	577,171
Operating expenses		(118,518)	(119,901)
Impairment losses		(1,316,448)	(381,400)
Finance costs		(1,276)	(1,899)
(Loss)/profit before taxation	6	(1,120,122)	73,971
Income tax	7	280,029	(18,986)
(Loss)/profit and total comprehensive income for the year		(840,093)	54,985
(Loss)/earnings per share			
Basic and diluted (RMB)	10	(0.3926)	0.0257

The notes on pages 54 to 116 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(Express in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Assets			
Cash and deposits with central bank	11	487	5,025
Deposits with banks	12	255,403	90,396
Loans and advances to customers	13	2,439,894	5,751,275
Finance lease receivables	14	4,616	18,455
Bills receivable	15	175,548	—
Property and equipment	16	16,591	28,234
Intangible assets	17	7,417	11,337
Deferred tax assets	22(b)	449,475	112,503
Other assets	18	26,340	251,537
Total assets		3,375,771	6,268,762
Liabilities			
Placements from banks	19	—	2,033,911
Guarantee deposits	20	3,649	30,299
Lease liabilities	21	13,582	23,372
Current taxation	22(a)	26,398	18,379
Other liabilities	23	107,675	98,241
Total liabilities		151,304	2,204,202
NET ASSETS		3,224,467	4,064,560
CAPITAL AND RESERVES			
Share capital		2,139,651	2,139,651
Reserves	24(c)	1,084,816	1,924,909
TOTAL EQUITY		3,224,467	4,064,560

Approved and authorised for issue by the board of directors on 29 March 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 54 to 116 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Express in thousands of Renminbi, unless otherwise stated)

Note	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	General risk reserve RMB'000	Retained earnings/ (accumulated loss) RMB'000	Total equity RMB'000
Balance at 1 January 2020	2,139,651	1,173,857	84,192	156,047	455,828	4,009,575
Changes in equity for 2020:						
1. Profit and total comprehensive income for the year	—	—	—	—	54,985	54,985
2. Appropriation of profits — Appropriation for surplus reserve	24(c) —	—	5,498	—	(5,498)	—
Balance at 31 December 2020	2,139,651	1,173,857	89,690	156,047	505,315	4,064,560
Change in equity for 2021:						
1. Loss and total comprehensive income for the year	—	—	—	—	(840,093)	(840,093)
Balance at 31 December 2021	2,139,651	1,173,857	89,690	156,047	(334,778)	3,224,467

The notes on pages 54 to 116 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2021

(Express in thousands of Renminbi, unless otherwise stated)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
(Loss)/profit before taxation		(1,120,122)	73,971
Adjustments for:			
Impairment losses	6(b)	1,316,448	381,400
Depreciation and amortisation	6(c)	16,372	17,969
Finance costs	6(c)	1,276	1,899
Changes in operating assets			
Net decrease in deposits with central bank		4,566	4,628
Net decrease in deposits with other banks		—	10,000
Net decrease in loans and advances to customers		2,065,293	3,893,955
Net decrease in finance lease receivables		10,842	32,981
Net increase in bills receivable		(250,783)	—
Net decrease/(increase) in other assets		233,007	(249,427)
Changes in operating liabilities			
Net decrease in placements from banks		(2,022,776)	(3,825,712)
Net decrease in guarantee deposits		(26,650)	(126,546)
Net decrease in other liabilities		(1,075)	(93,997)
Cash generated from operations		226,398	121,121
Income tax paid	22(a)	(48,924)	(129,219)
Net cash generated from/(used in) operating activities		177,474	(8,098)

The notes on pages 54 to 116 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2021
(Express in thousands of Renminbi, unless otherwise stated)

	Note	2021 RMB'000	2020 RMB'000
Investing activities			
Payments for purchase of property and equipment and intangible assets		(1,439)	(1,836)
Proceeds from disposal of property and equipment		—	4
Net cash used in investing activities		(1,439)	(1,832)
Financing activities			
Capital element of lease rentals paid	25(b)	(9,790)	(8,900)
Interest element of lease rentals paid	25(b)	(1,276)	(1,899)
Payments for listing expenses	25(b)	—	(5,185)
Net cash used in financing activities		(11,066)	(15,984)
Net increase/(decrease) in cash and cash equivalents		164,969	(25,914)
Cash and cash equivalents at 1 January	25	90,605	116,519
Cash and cash equivalents at 31 December	25	255,574	90,605

The notes on pages 54 to 116 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(c) 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Translation of foreign currencies

When the Company receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates.

(e) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(i)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Company is not the registered owner of the property interest; and
- items of equipment, including right-of-use assets arising from leases of underlying equipment (see Note 1(g)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Property and equipment (continued)**

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Office furniture	5 years
Electronic equipment	5 years
Improvement to leasehold property	3–5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Computer software	5 years

Both the period and method of amortisation are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primarily office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(e) and 1(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rate concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Leased assets (continued)****(ii) As a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(h) Financial instruments**(i) Recognition and measurement of financial assets and liabilities**

A financial asset or financial liability is recognised in the statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are measured initially at fair value, plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs. For an explanation of how the Company determines fair value of financial instruments, see Note 26(f). The financial instruments are subsequently accounted for as follows, depending on their classification.

Financial instruments held by the Company are classified into one of the following measurement categories:

- amortised cost, if the financial instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest (“SPPI”). Interest income from the investment is calculated using the effective interest method (see Note 1(p)(i)).
- fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the financial instrument comprise solely payments of principal and interest and the financial instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the financial instrument does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial instrument (including interest) are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(i) *Recognition and measurement of financial assets and liabilities (continued)*

However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income (“OCI”); and
- the Company may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Financial assets carried at amortised cost

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company’s business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company’s business model does not depend on management’s intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company’s business models for managing its financial instruments reflect how the Company manages its financial assets in order to generate cash flows. The Company’s business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

Financial assets carried at amortised cost (continued)

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called “worst case” or “stress case” scenarios. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company’s key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial assets carried at amortised cost are subject to impairment.

Other financial liabilities

Other financial liabilities, including placements from banks, guarantee deposits, interest payables and other payables are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(ii) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and deposits with central bank, deposits with banks, loans and advances to customers, interest receivables, bills receivable and other receivables); and
- finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, interest receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- finance lease receivables: discount rate used in the measurement of the finance lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date (referred to as Stage 1); and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies (referred to as Stage 2 and Stage 3).

Loss allowance for other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether loans and receivables carried at amortised cost are credit-impaired at each reporting date.

A loans and advances to customers is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower’s financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default (see below). A default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 60 days or more.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (“PD”) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- the borrower is past due more than 60 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increases in credit risk

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Definition of default (continued)

Significant increases in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Definition of default (continued)

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as follows:

- for financial assets carried at amortised cost: as a deduction from the gross carrying amount of the assets;

Write-off policy

The gross carrying amount of a financial asset, finance lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting periods. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Company considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Company obtains market data from the same market where the financial instrument was originated or purchased.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Company transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Company continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Company and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(i) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

- Property and equipment, including right-of-use assets
- Intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of other assets (continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest company of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or company of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in the reporting periods. Reversals of impairment losses are credited to profit or loss in the reporting periods in which the reversals are recognised.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Company recognises the related revenue (see Note 1(p)). A contract liability would also be recognised if the Company has an unconditional right to receive non-refundable consideration before the Company recognises the related revenue.

(k) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Pursuant to the relevant laws and regulations of the PRC, the Company has joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Company makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organization. The contributions are charged to profit or loss on an accrual basis which related services are rendered by employees.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(p) Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Company uses a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(h)(i)).

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

Origination or commitment fees received by the Company which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(q) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Related parties**

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

2 ACCOUNTING JUDGMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made the following accounting judgements:

(i) Determining the lease term

As explained in policy Note 1(g), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(ii) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The Company carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Notes 13, 14, 15 and 18 contain information about the assumptions and their risk factors relating to impairment of financial assets. Notes 1(e) and 1(f) contain information about the assumptions and their risk factors relating to depreciation and amortisation. Note 26(f) contains information about the assumptions and their risk factors relating to fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME

	2021 RMB'000	2020 RMB'000
Interest income arising from		
Loans and advances to customers	339,711	737,326
Deposits with central bank and other banks	2,939	2,796
Finance lease receivables	1,168	3,230
Sub-total	343,818	743,352
Interest expenses arising from		
Placements from banks	(63,499)	(248,209)
Sub-total	(63,499)	(248,209)
Net interest income	280,319	495,143

4 NET FEE AND COMMISSION INCOME

	2021 RMB'000	2020 RMB'000
Fee and commission income arising from		
Joint loan services	30,924	48,505
Consulting services	221	12,901
Others	3,358	11,906
Sub-total	34,503	73,312
Fee and commission expenses arising from		
Bank charges	(785)	(805)
Sub-total	(785)	(805)
Net fee and commission income	33,718	72,507

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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

5 OTHER NET INCOME

	Note	2021 RMB'000	2020 RMB'000
Net exchange gains/(losses)		1,068	(995)
Government grants	(a)	3	12,164
Others		1,012	(1,648)
Total		2,083	9,521

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

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Staff costs

	2021 RMB'000	2020 RMB'000
Salaries, bonuses and allowances	51,094	62,683
Other social welfare	6,121	6,418
Contributions to pension schemes	5,529	749
Total	62,744	69,850

(b) Impairment losses

	Note	2021 RMB'000	2020 RMB'000
Loans and advances to customers	13(e)	1,191,733	369,426
Finance lease receivables	14(b)	2,997	565
Bills receivable	15	75,235	—
Other assets	18	46,483	11,409
Total		1,316,448	381,400

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

6 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)**(c) Other items**

	2021 RMB'000	2020 RMB'000
Depreciation and amortisation		
— right-of-use assets	9,263	9,290
— intangible assets	4,463	5,536
— property and equipment	2,646	3,143
Legal consultancy	11,067	4,662
Services fee	6,716	5,915
Maintenance fees	4,977	2,116
Auditor's remuneration	3,600	3,800
Tax and surcharges	2,920	7,955
Travel expenses	1,552	1,851
Office expenses	1,304	942
Expense relating to short-term leases	135	320
Others	7,131	4,521
Sub-total	55,774	50,051
Finance costs	1,276	1,899
Total	57,050	51,950

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	2021 RMB'000	2020 RMB'000
Current tax			
Provision for the year		57,086	76,780
Over-provision in respect of prior years		(143)	(143)
Sub-total	22(a)	56,943	76,637
Deferred tax			
Origination of temporary differences	22(b)	(336,972)	(57,651)
Total		(280,029)	18,986

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

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

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

	Note	2021 RMB'000	2020 RMB'000
(Loss)/profit before taxation:		(1,120,122)	73,971
Notional tax on (loss)/profit before taxation	(i)	(280,031)	18,493
Tax effect of non-deductible expenses		145	636
Over-provision in respect of prior years		(143)	(143)
Actual tax expense		(280,029)	18,986

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

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to pension schemes RMB'000	2021 Total RMB'000
Executive directors						
Mr. Lin Fan		—	1,445	—	37	1,482
Mr. Shao Yongjun		—	763	—	39	802
Non-executive directors						
Mr. Koh Tee Choong		—	—	—	—	—
Mr. Li Guozhou		—	—	—	—	—
Independent non-executive directors						
Mr. Wong Man Chung Francis	(1)	270	—	—	—	270
Ms. Liang Yanjun		270	—	—	—	270
Supervisors						
Mr. Li Huihua		—	—	—	—	—
Mr. Li Tao		—	—	—	—	—
Ms. Wang Qing		—	396	—	40	436

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to pension schemes RMB'000	2020 Total RMB'000
Executive directors						
Mr. Lin Fan		—	1,435	—	2	1,437
Mr. Shao Yongjun		—	754	—	2	756
Non-executive directors						
Mr. Koh Tee Choong		—	—	—	—	—
Mr. Li Guozhou		—	—	—	—	—
Independent non-executive directors						
Mr. Wong Man Chung Francis	(1)	236	—	—	—	236
Ms. Liang Yanjun		278	—	—	—	278
Mr. Lin Zheyang	(2)	139	—	—	—	139
Supervisors						
Mr. Li Huihua		—	—	—	—	—
Mr. Li Tao		—	—	—	—	—
Ms. Wang Qing		—	296	—	2	298

(1) Mr. Wong Man Chung Francis was appointed as independent non-executive director on 24 February 2020.

(2) Mr. Lin Zheyang resigned as independent non-executive director on 30 June 2020.

No director received other remuneration or benefits in kind from the Company in respect of the reporting periods. Under the arrangement currently in force as of 31 December 2021, there was no arrangement under which a director or supervisor has waived or agreed to waive any emoluments during the reporting periods.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2020: four) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	4,816	5,169
Discretionary bonuses	220	198
Contributions to pension schemes	155	16
	5,191	5,383

The emoluments of the four (2020: four) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$1,000,001 – HK\$1,500,000	1	3
HK\$1,500,001 – HK\$2,000,000	3	1
	4	4

10 (LOSS)/EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of loss of RMB840,093 thousands (2020: profit of RMB54,985 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2020: 2,139,651 thousands ordinary shares) in issue during the year, which is set out as follows:

	2021	2020
(Loss)/profit attributable to ordinary equity shareholders of the Company (RMB'000)	(840,093)	54,985
Weighted average number of ordinary shares issued (in thousands)	2,139,651	2,139,651
Basic and diluted (loss)/earnings per share attributable to shareholders (RMB)	(0.3926)	0.0257

There were no dilutive potential ordinary shares for the year ended 31 December 2021 or 2020. Therefore, diluted (loss)/earnings per share are equivalent to basic (loss)/earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

11 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	2021 RMB'000	2020 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(a)	230	4,796
– Surplus deposit reserves	(b)	257	226
Sub-total		487	5,022
Accrued interest		–	3
Total		487	5,025

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

At 31 December, the statutory deposit reserve ratios applicable to the Company were as follows:

	2021 RMB'000	2020 RMB'000
Reserve ratio for deposits	5.0%	6.0%

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

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

12 DEPOSITS WITH BANKS

	2021 RMB'000	2020 RMB'000
Deposits with banks	255,317	90,379
Accrued interest	86	17
Total	255,403	90,396

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

13 LOANS AND ADVANCES TO CUSTOMERS

(a) **Analysed by nature**

	2021 RMB'000	2020 RMB'000
Retail loans	1,516,458	3,563,067
Dealer's loans	2,581,294	2,581,294
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
Sub-total	4,101,978	6,202,942
Less: Allowances for impairment losses	(1,662,084)	(451,667)
Net loans and advances to customers	2,439,894	5,751,275

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

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

	2021 RMB'000	2020 RMB'000
Collateralized loans	1,516,458	3,563,067
Guaranteed loans	2,581,294	2,581,294
Gross loans and advances to customers	4,097,752	6,144,361
Accrued interest	4,226	58,581
Less: Allowances for impairment losses	(1,662,084)	(451,667)
Net loans and advances to customers	2,439,894	5,751,275

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

13 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(c) Overdue loans (excluding accrued interest) analysed by type of collateral and overdue period**

	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
Total	13,722	2,100,122	540,610	2,608	2,657,062

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

13 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	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	
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

	31 December 2020			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
Gross loans and advances to customers (including accrued interest)	3,524,437	2,656,341	22,164	6,202,942
Less: Allowances for impairment losses	(64,203)	(366,087)	(21,377)	(451,667)
Net loans and advances to customers	3,460,234	2,290,254	787	5,751,275

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

13 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Movements of allowances for impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

14 FINANCE LEASE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Minimum finance lease receivables	13,527	25,687
Less: Unearned finance lease income	(316)	(1,634)
Present value of finance lease receivables	13,211	24,053
Less: Allowances for impairment losses	(8,595)	(5,598)
Total	4,616	18,455

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

	31 December 2021		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
	RMB'000	RMB'000	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

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

14 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	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

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

NOTES TO THE FINANCIAL STATEMENTS
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15 BILLS RECEIVABLE

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

		2021 RMB'000
Within 1 month (inclusive)		250,783
Less: Allowances for impairment losses		(75,235)
Total		175,548
		Allowances for impairment losses RMB'000
At 1 January 2021	Note	—
Charge for the year	6(b)	75,235
At 31 December 2021		75,235

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

16 PROPERTY AND EQUIPMENT**(a) Reconciliation of carrying amount**

	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use carried at cost RMB'000	Total RMB'000
Cost:					
At 1 January 2020	4,085	1,082	14,427	49,304	68,898
Additions	289	—	1	—	290
Disposals	(7)	—	—	(13,092)	(13,099)
At 31 December 2020	4,367	1,082	14,428	36,212	56,089
Additions	137	—	138	—	275
Disposals	(24)	(22)	—	—	(46)
At 31 December 2021	4,480	1,060	14,566	36,212	56,318
Accumulated depreciation:					
At 1 January 2020	(2,176)	(756)	(6,207)	(19,227)	(28,366)
Charge for the year	(691)	(122)	(2,330)	(9,290)	(12,433)
Disposals	3	—	—	12,941	12,944
At 31 December 2020	(2,864)	(878)	(8,537)	(15,576)	(27,855)
Charge for the 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)
Net book value:					
At 31 December 2021	1,103	151	3,964	11,373	16,591
At 31 December 2020	1,503	204	5,891	20,636	28,234

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

16 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:

	2021 RMB'000	2020 RMB'000
Properties leased for own use carried at cost	11,373	20,636

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	9,263	9,290
Finance costs (Note 6(c))	1,276	1,899
Expense relating to short-term leases	135	320

17 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2020	37,828
Additions	361
At 31 December 2020	38,189
Additions	543
At 31 December 2021	38,732
Accumulated amortisation:	
At 1 January 2020	(21,316)
Charge for the year	(5,536)
At 31 December 2020	(26,852)
Charge for the year	(4,463)
At 31 December 2021	(31,315)
Net book value:	
At 31 December 2021	7,417
At 31 December 2020	11,337

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

18 OTHER ASSETS

	Note	2021 RMB'000	2020 RMB'000
Interest receivables		12,407	5,154
Other receivables	(a)	6,143	225,064
Deductible value-added tax		3,971	—
Prepayments		3,819	19,997
Others		—	1,322
Total		26,340	251,537

(a) Other receivables

	Note	2021 RMB'000	2020 RMB'000
Commission receivables of joint loans		3,074	4,872
Deposits		3,069	3,413
Receivables from dealers controlled by ZhengTong due to third-party loans cancellation	(i)	—	228,188
Less: Allowances for impairment losses		—	(11,409)
Total		6,143	225,064

(i) As at 31 December 2021, most of receivables from dealers controlled by China ZhengTong Auto Services Holding Limited ("ZhengTong") due to third-party loans cancellation has been settled through commercial bills issued by Wuhan Zhengtong United Industrial Investment Group Co., Ltd., ("Wuhan Zhengtong United") (see Note 27(b)).

	Note	Allowances for impairment losses RMB'000
At 1 January 2020		—
Charge for the year	6(b)	11,409
At 31 December 2020		11,409
Reversal for the year	6(b)	(11,409)
At 31 December 2021		—

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19 PLACEMENTS FROM BANKS

	2021 RMB'000	2020 RMB'000
Placements from banks		
— secured	—	1,333,000
— unsecured	—	689,776
Accrued interest	—	11,135
Total	—	2,033,911

20 GUARANTEE DEPOSITS

	2021 RMB'000	2020 RMB'000
Deposits provided by dealers for retail business	2,428	4,566
Deposits from finance lease clients	1,221	5,995
Deposits provided by dealers for dealer's loans	—	19,738
Total	3,649	30,299

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

21 LEASE LIABILITIES

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

	31 December 2021		31 December 2020	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year (inclusive)	9,370	9,975	10,628	11,017
After 1 year but within 2 years (inclusive)	4,212	4,332	9,066	10,023
After 2 years but within 3 years (inclusive)	—	—	3,678	4,332
	4,212	4,332	12,744	14,355
	13,582	14,307	23,372	25,372
Less: total future interest expenses		(725)		(2,000)
Present value of lease liabilities		13,582		23,372

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	Note	2021 RMB'000	2020 RMB'000
Balance at the beginning of the year		18,379	70,961
Provision for current income tax for the year	7(a)	56,943	76,637
Payment during the year		(48,924)	(129,219)
Balance at the end of the year		26,398	18,379

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

22 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 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 2020	25,520	28,754	578	54,852
Credited/(charged) to profit or loss	77,187	(19,633)	97	57,651
Balance at 31 December 2020	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

23 OTHER LIABILITIES

	Note	2021 RMB'000	2020 RMB'000
Other payables	(a)	105,755	96,550
Advance receipts		1,920	1,691
Total		107,675	98,241

(a) Other payables

	2021 RMB'000	2020 RMB'000
Payables of joint loans	48,995	34,910
IPO service fees payable	25,386	26,132
Brokerage fees payable	11,210	11,539
Accruals	10,311	5,257
Employee benefits payable	7,841	11,921
Tax and surcharges and other taxation payable	761	3,399
Others	1,251	3,392
Total	105,755	96,550

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

24 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 the year ended 31 December 2021 (the year ended 31 December 2020: Nil).

(c) Nature and purpose of reserves**(i) Surplus reserve**

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

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 31 December 2021 amounted to RMB156,047 thousands (31 December 2020: RMB156,047 thousands), which has reached the requirement.

(d) Capital management

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

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

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(Express in thousands of Renminbi, unless otherwise stated)

24 CAPITAL AND RESERVES (CONTINUED)

(d) Capital management (continued)

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

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

	2021 RMB'000	2020 RMB'000
Core tier-one capital		
— Share capital	2,139,651	2,139,651
— Capital reserve	1,173,857	1,173,857
— Surplus reserve	89,690	89,690
— General risk reserve	156,047	156,047
— (Accumulated loss)/retained earnings	(334,778)	505,315
Total core tier-one capital	3,224,467	4,064,560
Core tier-one capital deductions		
— Net value of intangible asset after deduction of related deferred income tax liabilities	(7,417)	(11,337)
— Amount to be deducted from other net deferred tax assets relying on future profits	(127,770)	—
Net core tier-one capital	3,089,280	4,053,223
Net tier-one capital	3,089,280	4,053,223
Tier-two capital		
— Surplus provision for loan impairment	43,496	68,770
Net tier-two capital	43,496	68,770
Net capital base	3,132,776	4,121,993
Credit risk-weighted assets	3,523,176	5,570,340
Operational risk-weighted assets	1,058,863	1,372,488
Total risk-weighted assets	4,582,039	6,942,828
Core tier-one capital adequacy ratio	67.42%	58.38%
Tier-one capital adequacy ratio	67.42%	58.38%
Capital adequacy ratio	68.37%	59.37%

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

25 NOTES TO CASH FLOW STATEMENTS**(a) Cash and cash equivalents comprise**

	Note	2021 RMB'000	2020 RMB'000
Deposit reserves with central bank	11	257	226
Deposits with banks within original maturity of three months or less	12	255,317	90,379
Cash and cash equivalents in the cash flow statements		255,574	90,605

(b) Reconciliation of liabilities arising from financing activities

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

	IPO service fees payable (Note 23(a)) RMB'000	Lease liabilities (Note 21) RMB'000	Total RMB'000
At 1 January 2021	26,132	23,372	49,504
Changes from financing cash flows:			
Capital element of lease rentals paid	—	(9,790)	(9,790)
Interest element of lease rentals paid	—	(1,276)	(1,276)
Total changes from financing cash flows	—	(11,066)	(11,066)
Exchange adjustment	(746)	—	(746)
Other change:			
Finance costs (Note 6(c))	—	1,276	1,276
At 31 December 2021	25,386	13,582	38,968

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

25 NOTES TO CASH FLOW STATEMENTS (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

(i) Management of credit risk

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

In accordance with the requirements of external regulatory and related system, the Company has formulated operation rules of credit risk grading, credit risk operation, credit business approval, interview and collection for loans and advances to customers and 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 and 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.

(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 and finance lease receivables, bills receivable and other assets. They are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

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

(a) **Credit risk (continued)**

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

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 year ended 31 December 2021, the Company has written off loans and advances to customers of RMB21,588 thousands (31 December 2020: RMB134,520 thousands) and finance lease receivables of nil (31 December 2020: RMB100 thousands) as the Company had identified these debtors have financial difficulties.

For deposits with banks, loans and advances to customers, finance lease receivables, bills receivable and other assets, 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.

The following table provides information about the Company's exposure to credit risk and ECLs for loans and advances to customers, finance lease receivables, bills receivable and other assets based on the Company's provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Company's different customer bases. Based on the Company's cautious assessment including (1) the impact of COVID-19 pandemic where car dealers were facing difficult operating environment; and (2) the amount due from ZhengTong and its dealers, which led to overdue principal and interest, certain loans and receivables is considered overdue and credit-impaired and should be classified as the third loss stage under the HKFRS 9 Expected Credit Loss Model. As the provision ratio for third loss stage is higher than that for the first and second loss stages, the Company applied a higher overall provision ratio on the loans and receivables balances as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

26 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	1,426,576	1.27%	2,923	0.92%	–	NA	13,933	NA	1,443,432
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	5,071	41.14%	1,693	21.62%	–	NA	52	44.09%	6,816
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	1,008,247	61.93%	–	100.00%	175,548	30.00%	12,355	82.40%	1,196,150
Book value	2,439,894		4,616		175,548		26,340		2,646,398

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

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

(a) Credit risk (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

26 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.

	31 December 2021					Total	Carrying amount
	Repayable on demand/terms undated	Within one month	Between one month and three months	Between three months and one year	Between one year and five years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

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

(b) Liquidity risk (continued)

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

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(Express in thousands of Renminbi, unless otherwise stated)

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

(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.

(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.

	31 December 2021		31 December 2020	
	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%	2,439,894	7.51%–15.48%	5,751,275
Finance lease receivables	7.96%–15.31%	4,616	7.86%–18.71%	18,455
Total		2,444,510		5,769,730
Financial liability				
Placements from banks	NA	—	5.00%–8.00%	(2,033,911)
Total		—		(2,033,911)
Net position		2,444,510		3,735,819

	31 December 2021		31 December 2020	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Variable interest rate:				
Financial assets				
Cash and deposits with central bank	0.72%–1.62%	487	0.72%–1.62%	5,025
Deposits with banks	0.01%–2.17%	255,403	0.01%–2.17%	90,396
Total		255,890		95,421

NOTES TO THE FINANCIAL STATEMENTS
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26 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 after tax and equity through the change of fair value.

- Cash flow interest rate risk

	2021 RMB'000	2020 RMB'000
Increase/(decrease) in profit or loss after taxation and retained profits		
Interest rates increase by 100 bps	1,679	626
Interest rates decrease by 100 bps	(1,679)	(626)

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

(d) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

26 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)			
	As at 31 December 2021		As at 31 December 2020	
	USD	HKD	USD	HKD
Deposits with banks	51	206	52	247
Other liabilities	—	(36,596)	—	(37,671)
Net position	51	(36,390)	52	(37,424)

(ii) Sensitivity analysis

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

	2021 RMB'000	2020 RMB'000
Changes in profit or loss after taxation and equity		
Foreign exchange rate increase by 100 bps	(273)	(280)
Foreign exchange rate decrease by 100 bps	273	280

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

26 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 FINANCIAL STATEMENTS

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27 MATERIAL RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Company and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Company and the respective related parties.

(a) Names and relationships with related parties

Zhengtong owns 71.04% of the Company's equity shares throughout 2020 and 2021. On 29 January 2022, the Company was informed by ZhengTong that ZhengTong received a ruling on administrative proceeding and a notice of property preservation (collectively, the "Relevant Rulings") issued by Shanghai Financial Court of the People's Republic of China ("Shanghai Financial Court"). Pursuant to the Relevant Rulings, an application was made by the CBIRC to Shanghai Financial Court that ZhengTong's equity interests in the Company be liquidated by way of auction in accordance with the applicable PRC laws and regulations. According to the Relevant Rulings, a collegial panel constituted by Shanghai Financial Court has completed its examination and ruled that: (i) the Administrative Decision (Hu Yin Bao Jian Tong [2020] No. 41) issued by the CBIRC Shanghai Office 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.

On 30 January 2022, the Company received a notice of assistance in enforcement ((2022) Hu 74 Cai Bao No. 1) issued by Shanghai Financial Court (the "Notice of Assistance in Enforcement"), which required the Company 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; and (b) the Company shall preserve any dividends, bonuses and other proceeds which may be payable by the Company to ZhengTong, and the Company shall notify Shanghai Financial Court 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.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the reporting period, the Company had transactions with ZhengTong and its subsidiaries as listed below.

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 Baoze Automobile Sales Services 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
Dingze Insurance Agency 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
Hubei Changze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Hubei Jierui Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Hubei Xinrui Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Huhhot Jieyun Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Huhhot Infiniti Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Names and relationships with related parties (continued)**

Company	Relationship
Hunan SCAS Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Inner Mongolia Dingze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Inner Mongolia Dingjie Automobile Trading Co., Ltd.	ZhengTong's subsidiary
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
Jingmen Baoze 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 Luda 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
Shangrao Baoze Automobile Sales Service 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 Chixing 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 Tengxing Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Shenzhen Baotaihang 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 Zhengtong Yuechi Automobile Sales Services 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

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Relationship
Yichun Baoze Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Yiwu Xinhui Automobile Sales Services Co., Ltd.	ZhengTong's subsidiary
Yongkang Guobang Automobile Sales 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

(b) Significant transactions with related parties

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

	Note	2021 RMB'000	2020 RMB'000
Subsidies receipt for retail loans	(i)	125	1,700
Interest income	(i)	93,790	188,204
Operating expenses		(135)	(159)
Increase of receivables from dealers related to ZhengTong/of ZhengTong's group due to loans cancellation		—	235,574
Decrease of receivables from dealers related to ZhengTong/of ZhengTong's group due to loans cancellation		(228,188)	(7,386)
Increase of bills receivable from ZhengTong's subsidiary	(ii)	326,624	—
Decrease of bills receivable from ZhengTong's subsidiary	(ii)	(75,841)	—

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

(ii) In 2021, the Company received commercial bills of RMB326,624 thousands from ZhengTong's fellow subsidiary Wuhan Zhengtong United of which 1) RMB227,526 thousands was applied to settle receivables from dealers controlled by ZhengTong ("Zhengtong dealers") due to loans cancellation; 2) RMB88,900 thousands was applied to settle the dealer's loan interests due from Zhengtong dealers; and 3) RMB10,198 thousands was applied to settle the dealer's loan interests due from other dealers. As at 31 December 2021, commercial bills amounted to RMB75,841 thousands has been settled, commercial bills of RMB250,783 thousands remained unsettled.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

27 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	31 December 2021 RMB'000	31 December 2020 RMB'000
Assets			
Dealer's loans (including accrued interest)	(i), (iii)	1,440,044	1,465,015
Subsidies for retail loans	(ii)	(1,716)	(13,678)
Mortgage service fees	(ii)	292	510
Bills receivable	(iii), 27(b)(ii)	250,783	—
Interest receivables	(iii)	15,860	—
Receivables from Zhengtong dealers due to loans cancellation	(iii)	—	228,188
Other receivables		—	345
Liabilities			
Other liabilities		(35)	(932)
Off – balance sheet item			
Guarantees received for dealer's loans	(iv)	1,455,904	1,465,015

- (i) As at 31 December 2021, the dealer's loan due from Zhengtong dealers amounted to RMB1,440,044 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 RMB512,006 thousands have been made on these balances as at 31 December 2021 (31 December 2020: RMB83,411 thousands).
- (iv) The guarantees were provided by Wuhan Zhengtong United for repayment of dealer's loans. These guarantees expire on the same date as the dealer's loans.

All balances with ZhengTong and its subsidiaries are related to main business of the Company except for other liabilities amounting to RMB35 thousands and RMB932 thousands as of 31 December 2021 and 31 December 2020, respectively.

NOTES TO THE FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Directors and key management personnel remuneration

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors as disclosed in Note 8 and certain of individuals with highest emoluments as disclosed in Note 9, is as follows:

	2021 RMB'000	2020 RMB'000
Remuneration of key management personnel	7,911	7,874

28 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.

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

28 SEGMENT REPORTING (CONTINUED)**(a) Business segment (continued)**

	Year ended 31 December 2021			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	178,224	99,156	2,939	280,319
Net fee and commission income	33,718	—	—	33,718
Other net income	—	—	2,083	2,083
Operating income	211,942	99,156	5,022	316,120
Operating expenses	(80,045)	(38,473)	—	(118,518)
Reversal/(charge) impairment losses	16,240	(1,332,688)	—	(1,316,448)
Finance costs	(862)	(414)	—	(1,276)
Profit/(loss) before taxation	147,275	(1,272,419)	5,022	(1,120,122)
Other segment information				
— Depreciation and amortisation	11,057	5,315	—	16,372
	As 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 FINANCIAL STATEMENTS
(Express in thousands of Renminbi, unless otherwise stated)

28 SEGMENT REPORTING (CONTINUED)

(a) Business segment (continued)

	Year ended 31 December 2020			
	Retail	Dealer's loan		Total
	Business	Business	Others	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Net interest income	348,656	143,691	2,796	495,143
Net fee and commission income	72,507	—	—	72,507
Other net income	—	—	9,521	9,521
Operating income	421,163	143,691	12,317	577,171
Operating expenses	(88,060)	(31,841)	—	(119,901)
Impairment losses	(44,033)	(337,367)	—	(381,400)
Finance costs	(1,395)	(504)	—	(1,899)
Profit/(loss) before taxation	287,675	(226,021)	12,317	73,971
Other segment information				
— Depreciation and amortisation	13,198	4,771	—	17,969

	As at 31 December 2020			
	Retail	Dealer's loan		Total
	Business	Business	Others	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets/total assets	3,715,297	2,282,560	270,905	6,268,762
Reportable segment liabilities/total liabilities	(1,427,606)	(675,022)	(101,574)	(2,204,202)

(b) Geographical information

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

(c) Information about major customers

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

NOTES TO THE FINANCIAL STATEMENTS

(Express in thousands of Renminbi, unless otherwise stated)

29 CONTINGENCIES

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

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**Termination of the discussions on the potential disposal of the Company's shares by ZhengTong**

The Company announced on 8 February 2022, among other things that, as informed by ZhengTong that in view of the ruling of the Shanghai Financial Court to carry out compulsory auction of the equity interests in the Company held by ZhengTong, the discussions between ZhengTong and the potential purchaser in relation to the potential disposal have been terminated.

31 COMPARATIVE FIGURES

For disclosure purpose of the financial statements, the Company made reclassification adjustments to some comparative figures.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous contracts – cost of fulfilling a contract</i>	1 January 2022
Annual Improvements to <i>HKFRSs 2018-2020 Cycle</i>	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Audit Committee”	audit committee of the Board
“Board”	the board of Directors
“Board of Supervisors”	the board of Supervisors
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shanghai Office”	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)
“Company Law”	the Company Law of the PRC
“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
“H Shareholder(s)”	holder(s) of H Shares
“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 Date”	3 April 2019, the date when the Company was listed on the Stock Exchange
“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
“Nomination Committee”	nomination committee of the Board
“PRC” or “China”	the People’s Republic of China, and for the purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Remuneration Committee”	remuneration and evaluation committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Risk Management Committee”	risk management committee of the Board
“Securities Law”	the Securities Law 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
“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), a controlling shareholder of the Company, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (stock code: 1728)
“%”	per cent.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)
Interest income	424,600	759,035	999,733	743,352	343,818
Interest expenses	(169,768)	(320,485)	(463,933)	(248,209)	(63,499)
Net interest income	254,832	438,550	535,800	495,143	280,319
Fee and commission income	205,323	331,554	174,956	73,312	34,503
Fee and commission expenses	(905)	(1,425)	(1,208)	(805)	(785)
Net fee and commission income	204,418	330,129	173,748	72,507	33,718
Other net income	2,710	47,098	90,270	9,521	2,083
Operating income	461,960	815,777	799,818	577,171	316,120
Operating expenses	(70,042)	(127,955)	(163,853)	(119,901)	(118,518)
Impairment losses	(43,395)	(84,343)	(114,553)	(381,400)	(1,316,448)
Finance costs	—	—	(1,633)	(1,899)	(1,276)
Profit before taxation	348,523	603,479	519,779	73,971	(1,120,122)
Income tax	(87,750)	(150,962)	(130,378)	(18,986)	280,029
Profit and total comprehensive income for the year	260,773	452,517	389,401	54,985	(840,093)

FIVE YEAR FINANCIAL SUMMARY

	At 31 December				
	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)
Cash and deposits with central bank	7,003	35,213	9,479	5,025	487
Deposits with banks and other financial institutions	270,494	780,960	126,524	90,396	255,403
Loans and advances to customers	5,869,004	8,426,177	10,004,153	5,751,275	2,439,894
Finance lease receivables	19,898	102,980	52,001	18,455	4,616
Bills receivable	—	—	—	—	175,548
Property and equipment	4,558	5,113	40,532	28,234	16,591
Intangible assets	17,413	15,357	16,512	11,337	7,417
Deferred tax assets	62,193	73,804	54,852	112,503	449,475
Other assets	41,853	92,557	23,990	251,537	26,340
Total assets	6,292,416	9,532,161	10,328,043	6,268,762	3,375,771
Liabilities					
Placements from banks and other financial institutions	4,020,000	6,085,347	5,891,421	2,033,911	—
Guarantee deposits	78,894	79,632	156,845	30,299	3,649
Deposits from shareholders	—	600,000	—	—	—
Lease liabilities	—	—	32,388	23,372	13,582
Current taxation	76,884	59,478	70,961	18,379	26,398
Other liabilities	56,598	224,611	166,853	98,241	107,675
Total liabilities	4,232,376	7,049,068	6,318,468	2,204,202	151,304
NET ASSETS	2,060,040	2,483,093	4,009,575	4,064,560	3,224,467