



Shanghai Dongzheng Automotive Finance Co., Ltd.\*

上海東正汽車金融股份有限公司

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

stock code : 2718

# INTERIM REPORT 2020



\*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  
(appointed on 24 February 2020)  
Ms. Liang Yanjun  
Mr. Lin Zheyang (resigned on 30 June 2020)

### BOARD OF SUPERVISORS

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

### AUDIT COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)  
(appointed on 24 February 2020)  
Ms. Liang Yanjun  
Mr. Lin Zheyang (resigned on 30 June 2020)

### REMUNERATION AND EVALUATION COMMITTEE

Mr. Wong Man Chung Francis (*Chairman*)  
(appointed on 24 February 2020)  
Mr. Koh Tee Choong  
Ms. Liang Yanjun (resigned on 24 February 2020 and  
appointed on 30 June 2020)  
Mr. Lin Zheyang (resigned on 30 June 2020)

### NOMINATION COMMITTEE

Ms. Liang Yanjun (*Chairlady*)  
Mr. Koh Tee Choong  
Mr. Wong Man Chung Francis  
(appointed on 30 June 2020)  
Mr. Lin Zheyang (resigned on 30 June 2020)

### RISK MANAGEMENT COMMITTEE

Mr. Lin Fan (*Chairman*)  
Mr. Shao Yongjun  
Mr. Wong Man Chung Francis  
(appointed on 24 February 2020)  
Ms. Liang Yanjun (resigned on 24 February 2020)

### JOINT COMPANY SECRETARIES

Ms. Yao Wen  
Mr. Chan Pak Hung

### AUTHORISED REPRESENTATIVES

Mr. Shao Yongjun  
Ms. Yao Wen

### AUDITORS

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

### LEGAL ADVISORS

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

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

### COMPLIANCE ADVISOR

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

## CORPORATE INFORMATION

### 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](http://www.dongzhengafc.com)

### STOCK CODE

2718

### 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



## 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 (i) retail loan business, where the Company provides retail loans, direct leasing products and other financial services to the end customers, major customers and corporate clients who wish to purchase vehicles; and (ii) dealer loan business, where the Company provides dealers with inventory financing to facilitate the procurement and sale of vehicles to end customers.

In the first half of 2020, the outbreak of the COVID-19 pandemic and subsequent national lockdown in China brought changes and challenges to all sectors with the automobile industry being stagnant for a period of time. Due to the consumption promotion policies launched since the easing of the COVID-19 pandemic in the second quarter of 2020, the passenger vehicles market has gradually recovered. According to the China Association of Automobile Manufacturers, in the first half of 2020, the production and sales volume of passenger vehicles in China amounted to 7.75 million and 7.87 million units, representing a year-on-year decrease of 22.3% and 22.3%, respectively.

As for the auto finance industry, automotive finance companies, as licensed institutions, are subject to the strict regulation of the CBIRC. As at 30 June 2020, there are 25 (31 December 2019: 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 service to customers. In addition to self-operated products through conventional financing channels such as inter-bank lending and banking facilities leveraging on our advantages as a licensed institution, the Company actively cooperated with major banks to launch joint loan products as a complement to its self-operated products, so as to facilitate the Company's asset allocation based on market conditions and maintain steady growth in asset scale.

Due to the outbreak of the COVID-19 pandemic, consumer's consumption demand for passenger vehicle purchase has substantively lowered and new loans disbursed by the Company has decreased in the first half of 2020 comparing with the corresponding period of 2019. The Company's loan portfolio decreased by 18.5% to RMB8.15 billion as at 30 June 2020 from RMB10.00 billion as at 31 December 2019. For the six months ended 30 June 2020, the Company's net interest income amounted to RMB289 million, representing an increase of 30.1% as compared to the same period of 2019. The Company's operating income amounted to RMB338 million, representing a decrease of 12.5% as compared to the same period last year. The Company recorded a net profit of RMB143 million in the first half of 2020, representing a decrease of 29.3% as compared to the net profit of RMB202 million for the same period of 2019. Notwithstanding the increase in net interest income, the decrease in profit is mainly attributable to (i) the increase in the Company's allowances for impairment losses relating to its loans and advances to customers and finance lease receivables due to the negative impact of the pandemic on repayment capabilities of some of its customers; and (ii) the reduction in fee and commission income as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers since 2019.

During the period, the Company operated and optimised its dealer network, including 4S dealership channels under ZhengTong and external dealer network. The Company extended its business network to more than 900 partnership-based dealers in more than 180 cities in China. 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 user experience and services to the consumers.

	As at 30 June 2020	As at 31 December 2019
<b>Number of sales networks</b>	<b>923</b>	913
Including: ZhengTong dealers	<b>118</b>	118
External dealers	<b>805</b>	795

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period, total amount of loans disbursed by the Company was RMB3.785 billion, representing a decrease of 48.7% as compared to that of the same period of 2019. In terms of retail loans, the Company disbursed a total of 1,686 retail loans throughout the first half of 2020, representing a decrease of 89.7% as compared to that of the same period of 2019. Among them, 1,496 were disbursed to ZhengTong clients and 190 were disbursed to external clients. The decrease was mainly due to the pandemic which has substantively lowered consumer's consumption demand for passenger vehicle purchase as well as the Company being more cautious in granting new loans.

The Company's net fee and commission income mainly consists of non-interest income received by the Company for referral of retail customers to commercial banks or other financial institutions and provision of loan-related services. The Company's net fee and commission income for the six months ended 30 June 2020 amounted to approximately RMB40 million, representing a decrease of 69% as compared to that of RMB128 million for the same period of 2019. This was mainly due to the lower income from consultancy services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers in response to changes in the market operating environment.

In terms of dealer loan business, as at 30 June 2020, the loan balance of RMB2.62 billion remained stable as compared to that at the end of 2019. For the six months ended 30 June 2020, the Company's average yield of dealer loan was 10.02% (for the six months ended 30 June 2019: 8.79%).

	As at/For the six months ended 30 June	
	2020	2019
Amount of loans disbursed (RMB million)	<b>3,785</b>	7,377
Number of self-operated retail loan disbursed	<b>1,686</b>	16,436
Including: Standard self-operated loans	<b>1,516</b>	12,266
Joint loans	<b>170</b>	4,170
Including: ZhengTong customers	<b>1,496</b>	11,227
External customers	<b>190</b>	5,209
Gross outstanding loan balance (RMB million) (before adjustment)	<b>8,313</b>	10,311
Including: Retail loan	<b>5,690</b>	8,368
Dealer loan	<b>2,623</b>	1,943

## MANAGEMENT DISCUSSION AND ANALYSIS

For the purposes of risk management, in the first half of 2020, the Company has established risk control policies and management system targeted to different business scenarios, achieving comprehensive risk identification and control in respect of various business scenarios. By revising the criteria of customers and dealers admission with a focus on credit risk prevention and operation risk management, the Company continuously strengthened the application of big data tools for risk control to the operation and management of credit approval, disbursement review and post-loan collection. In addition, by incorporating the big data tools into staff training and assessment mechanism, the Company consolidated comprehensive risk management, operation management and other related systems and procedures. In the second half of the year, the Company will upgrade and optimise the automated approval tool, so as to ensure continuous monitoring and control on the capability of identifying risks from customers and provide a strong guarantee for the Company's loan business.

In terms of loan quality, the Company's balance of non-performing loans as of 30 June 2020 was RMB34 million, representing a decrease of 25.6% as compared to that of RMB45 million at the end of 2019. As of 30 June 2020, the Company's non-performing loan ratio was 0.41%, the loan provision rate was 2.19%, and the provision coverage ratio was 538.28%. The Company shall proactively monitor the status of customers and implement additional measures to enhance debt collection.

	As at 30 June 2020	As at 31 December 2019
<b>Non-performing loan (NPL) ratio (60+)</b>	<b>0.41%</b>	0.44%
Loan provision rate	<b>2.19%</b>	1.89%
Provision coverage ratio	<b>538.28%</b>	423.97%

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net Interest Income

The Company's net interest income increased by 30.1% from approximately RMB222 million for the six months ended 30 June 2019 to approximately RMB289 million for the six months ended 30 June 2020.

Set out below are the comparative figures for the six months ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Interest income</b>		
Loans and advances to customers	439,960	453,222
Deposits with central bank and other banks	1,454	7,981
Finance lease receivables	1,937	4,184
	<b>443,351</b>	<b>465,387</b>
<b>Interest expenses</b>		
Placements from banks	(154,565)	(243,256)
Deposits from shareholders	—	(133)
	<b>(154,565)</b>	<b>(243,389)</b>
<b>Net interest income</b>	<b>288,786</b>	<b>221,998</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income: For the six months ended 30 June 2020, the Company recorded an interest income of approximately RMB443 million, representing a decrease of 4.7% as compared to approximately RMB465 million in the same period of 2019. The decrease in interest income was mainly due to reduction of loan portfolio by RMB1.85 billion. During the period, the average yield of retail loans was 9.52%, which remained stable as compared to the same period of 2019, while the average yield of dealer loans increased to 10.02% from 8.79% in the same period of 2019.

	For the six months ended 30 June	
	2020	2019
	%	%
Net interest margin	6.03	4.16
Average yield of loans and advances to customers	9.66	9.68
Including: average yield of retail loans	9.52	9.81
average yield of dealer loans	10.02	8.79

2. Interest expenses: Interest expenses of the Company decreased from RMB243 million for the six months ended 30 June 2019 to approximately RMB155 million for the six months ended 30 June 2020, mainly due to the decrease in borrowings resulting from the reduction in loan portfolio. As of 30 June 2020, the Company's outstanding balance of placements from banks was RMB4.06 billion (as at 30 June 2019: RMB7.52 billion), with average cost of interest-bearing liabilities of 6.10% (for the six months ended 30 June 2019: 6.76%).

	For the six months ended 30 June	
	2020	2019
	%	%
Average cost of interest-bearing liabilities	6.10	6.76
Average cost of additional new interest-bearing liabilities	6.31	6.23

## MANAGEMENT DISCUSSION AND ANALYSIS

## Non-interest Income

For the six months ended 30 June 2020, the Company received non-interest income of approximately RMB50 million, representing a decrease of 70.0% as compared to that of RMB165 million for the same period of 2019.

1. Net fee and commission income: Net fee and commission income of the Company for the six months ended 30 June 2020 was RMB40 million. Set forth below is a detailed breakdown:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Fee and commission income		
Consulting services	5,993	90,962
Joint loan services	28,303	33,772
Others	5,907	4,191
Sub-total	40,203	128,925
Fee and commission expenses		
Commission fees	—	(221)
Others	(477)	(470)
Sub-total	(477)	(691)
Net fee and commission income	39,726	128,234

The Company's net fee and commission income in the first half of 2020 decreased by 69% as compared to that in 2019. This was mainly due to the decrease in income from consultancy services as a result of the adjustment made by the Company in its arrangements for collecting service fees from customers in response to the changes in the market operating environment, including the limitation and restriction imposed on the fee income for auto finance services.

2. Other net income: The Company's other net income amounted to approximately RMB10 million (for the six months ended 30 June 2019: RMB36 million), which comprised mainly of government grants of RMB12 million for the financial sector received from the People's Government of Pudong New District and foreign exchange losses of approximately RMB3 million.

## Operating Expenses

For the six months ended 30 June 2020, the Company's operating expenses amounted to RMB55 million, representing a decrease of RMB14 million as compared to RMB69 million for the same period of 2019, which was mainly due to absence of one-off listing expenses during the reporting period and decrease in labour cost and other operating expenses as a result of the Company's cost control measures.

## 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. For the six months ended 30 June 2020, total impairment loss amounted to RMB91 million (for the six months ended 30 June 2019: RMB48 million), representing an increase of 92% as compared to the same period in 2019. The increase in impairment loss is mainly due to the outbreak of the COVID-19 pandemic in early 2020 and subsequent nationwide lockdown which resulted in a negative impact on repayment capabilities of some of its customers. For details, please refer to the table set out below:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Loans and advances to customers	88,461	50,525
Finance lease receivables	2,849	(2,979)
Total	91,310	47,546

## Net Profit

For the six months ended 30 June 2020, the Company recorded a net profit of RMB143 million, representing a decrease of RMB59 million as compared to RMB202 million for same period in 2019.

## Cash and Deposits with Central Bank

As at 30 June 2020, the Company's cash and deposits with central bank amounted to RMB10 million (as at 31 December 2019: RMB9 million). The deposits with central bank mainly comprise statutory deposit reserves and surplus deposit reserves. In accordance with the rules set by the People's Bank of China, the Company deposited 6% of the guarantee deposits and deposits from shareholders to the statutory deposit reserves.

## Deposits with Banks

As at 30 June 2020, deposits with banks amounted to RMB177 million, representing an increase of 40.2% as compared to RMB127 million as at 31 December 2019. The increase was mainly attributable to repayment of loans from certain customers prior to 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Loans and Advances to Customers

As of 30 June 2020, net loans and advances to customers amounted to RMB8.15 billion, representing a decrease of 18.5% as compared to RMB10.00 billion at the end of 2019. The Company's loan business mainly comprises retail loan business and dealer loan business, among which, the gross balance of retail loans amounted to RMB5.62 billion, representing a decrease of 25.3% as compared to RMB7.52 billion at the end of 2019, while the gross balance of dealer loans amounted to RMB2.62 billion (as at 31 December 2019: RMB2.63 billion). The decrease in loan size during the period was mainly due to the outbreak of COVID-19 pandemic which substantively lowered consumer's consumption demand for vehicle purchase, and thus the demand for vehicle financing.

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Retail loans	5,621,546	7,522,352
Dealer's loans	2,623,002	2,625,086
Gross loans and advances to customers	8,244,548	10,147,438
Accrued interest	87,302	48,079
Less: allowances for impairment loss	(180,835)	(191,364)
Net loans and advances to customers	8,151,015	10,004,153

## Placements from Banks

The Company's placements from banks as of 30 June 2020 was RMB4.06 billion, representing a decrease of 31.1% as compared to RMB5.89 billion as of 31 December 2019, which was in line with the reduction in loan size during the period.

## 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 of 30 June 2020, the Company's deposits with banks amounted to RMB177 million, representing an increase of 40.2% as compared to RMB127 million as at the end of 2019. The Company's placements from banks amounted to RMB4.06 billion, representing a decrease of 31.1% as compared to RMB5.89 billion as at the end of 2019. The Company established co-operations with a total of 38 banks, with total facilities of over RMB9.16 billion and an unutilised balance of over RMB5.12 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company's capital adequacy ratio increased from 41.62% at the end of 2019 to 49.76% at 30 June 2020.

	As at	
	30 June 2020	31 December 2019
Core tier-one capital adequacy ratio	48.71%	40.54%
Tier-one capital adequacy ratio	48.71%	40.54%
Capital adequacy ratio	49.76%	41.62%
Liquidity ratio	167.41%	137.12%
Leverage ratio	47.63%	37.90%

Note: Leverage ratio = Net tier-one capital/(balance of adjusted on-balance sheet assets + adjusted off-balance sheet items)\* 100%.

At the 2020 first Unlisted Foreign Share class meeting, the 2020 first Domestic Share class meeting, the 2020 first H Share class meeting and the 2020 first extraordinary general meeting of the Company held on 10 June 2020, the Shareholders approved, among others, the New H Share Issue and the H Share Full Circulation (as defined in the Company's circular dated 22 April 2020), which are subject to approval of the relevant authorities. For details, please refer to the Company's circular dated 22 April 2020.

## FOREIGN EXCHANGE RISK

As the Company's business is primarily operated in mainland China and settled in Renminbi, there is no material foreign exchange risks. As at 30 June 2020, the Company had certain deposits with banks and other liabilities denominated in foreign currencies with a net position of approximately RMB18 million. The foreign exchange risk is considered to be low.

## MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the six months ended 30 June 2020, there was no material acquisition and disposal of the Company's material assets.

## SIGNIFICANT INVESTMENT

As at 30 June 2020, the Company did not hold any significant investment in equity interest in any company.

## CHARGES ON ASSETS

As at 30 June 2020, there were no charges on the Company's assets.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2020, the Company did not have any plans for material investments and capital assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES AND REMUNERATION POLICIES

As of 30 June 2020, the Company had 247 employees, most of whom are located in the PRC. The Company has a team of highly educated and talented individuals. As of 30 June 2020, approximately 81% of the Company's employees hold a bachelor's degrees or above, and 16% hold a master's degree or above, with approximately 69% of the Company's employees are under the age of 35. For the six months ended 30 June 2020, total staff costs of the Company amounted to approximately RMB32.8 million (for the six months ended 30 June 2019: RMB41.8 million).

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

### SIGNIFICANT LITIGATION AND ARBITRATION

During the six months ended 30 June 2020, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

### CONTINGENT LIABILITIES

The Company did not have any material contingent liabilities as at 30 June 2020.

### CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

The outbreak of the COVID-19 pandemic since the beginning of 2020 brought pressure on the economic environment and the auto industry in the first half of the year. The Company believes that automotive finance will play an important role in the recovery of the industry. For the second half of the year, the Company will deploy its efforts surrounding the strategy of "dedication to principle business, strategic extension, innovation and exploration", so as to secure a speedy resumption of our normal business as well as our steady development after the pandemic.

As regards the strategy of "dedication to principle business", the Company intends to introduce more products based on its principal business of automotive finance, including co-operations with more automobile manufacturers to offer a wider selection of auto brands to customers. In the meantime, on top of leveraging its cooperation with a network of more than 900 dealers, the Company will continue to identify quality dealers, and explore collaborations with second-hand vehicles trading platforms and direct leasing platforms, etc in order to optimise sales network, expand customer base as well as drive the growth of automotive finance business.

As regards the strategy of "strategic extension", in addition to its internal resources and traditional financing, the Company will leverage on the resource advantages of cooperative banks to strengthen the development of joint loans business so as to rapidly promote its lending business and increase non-interest income. Also, by leveraging its status as a listed company and a CBIRC licensed corporation, the Company will continue to explore various financing channels and enhance its capital base.

The Company will continue to pursue "innovation and exploration" strategy with a focus on longer-term development plan. The Company will actively explore and innovate along the automotive industry chain by spearheading the efforts on online marketing, with an aim to break the traditional offline model of automotive finance industry. It will bring more effective marketing resources to business partners of the Company and provide customers with a more convenient and intuitive service experience.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB0.08 per share (tax inclusive)).

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own code of conduct regarding securities transaction by the Directors and the Supervisors on terms no less exacting than the required standard in the Model Code. The Company has made specific enquiries to all the Directors and Supervisors and they have confirmed that each of them has complied with the above-mentioned code during the six months ended 30 June 2020.

### CORPORATE GOVERNANCE

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

For the six months ended 30 June 2020, the Company has complied with all code provisions of the Corporate Governance Code.

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

During the six months ended 30 June 2020, the Company did not purchase, sell or redeem any of the Company's listed securities.

### SHARE OPTION SCHEME

The Company did not adopt any share option scheme as at 30 June 2020.

### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2020, none of the Directors, Supervisors, chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept under section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange under the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2020, the interests or short positions of the other persons (other than Directors, Supervisors, and the chief executive of the Company) in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司)	Unlisted Foreign Shares	Long	Beneficial owner <sup>1</sup>	1,520,000,000	100.00	71.04
Joy Capital Holdings Limited	Unlisted Foreign Shares	Long	Interest in a controlled corporation <sup>2</sup>	1,520,000,000	100.00	71.04
Wang Muqing (王木清)	Unlisted Foreign Shares	Long	Founder of trusts <sup>3</sup>	1,520,000,000	100.00	71.04
Wang Weize (王偉澤)	Unlisted Foreign Shares	Long	Founder of trusts <sup>3</sup>	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
Global Precise Assets Limited	H Shares	Long	Beneficial owner	80,000,400	14.82	3.74
Xingtai Capital Management Limited	H Shares	Long	Investment manager <sup>4</sup>	62,000,000	11.49	2.90
TX Capital (HK) Limited	H Shares	Long	Investment manager <sup>5</sup>	44,948,000	8.33	2.10
Seahawk China Dynamic Fund	H Shares	Long	Beneficial owner	33,335,000	6.18	1.56

## 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).
- China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司) is owned by Joy Capital Holdings Limited as to 56.42% and Joy Capital Holdings Limited is deemed under the SFO to be interested in the Shares held by China ZhengTong Auto Services Holdings Limited.
- Mr. Wang Muqing and Mr. Wang Weize were the founders of the family trusts that own all the issued shares of Joy Capital Holdings Limited, which were deemed under the SFO to be interested in the Shares held by Joy Capital Holdings Limited. Credit Suisse Trust Limited in Guernsey is the trustee of these family trusts. The Wang family members are discretionary beneficiaries of these trusts.
- According to the disclosure of interests form filed by Xingtai Capital Management Limited, Xingtai Capital Management Limited held 33,000,000 H Shares, 17,000,000 H Shares and 12,000,000 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 respectively.
- According to the disclosure of interests form filed by TX Capital (HK) Limited dated 31 July 2019, TX Capital (HK) Limited held 44,948,000 H Shares in the capacity as an investment advisor to TX Capital Value Fund. Accordingly, it is deemed to be interested in the H shares of the Company held by TX Capital Value Fund.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 336 of the SFO.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGES IN INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors, Supervisors and chief executive of the Company since the Company's 2019 annual report and up to the date of this interim report as notified to the Company, are set out below:

Mr. Koh Tee Choong, a non-executive Director, has retired as an executive director and ceased to be the chief executive officer of ZhengTong with effect from 12 June 2020.

## NON-COMPLIANCE WITH LISTING RULES

Following the resignation of Mr. Lin Zheyang as an independent non-executive Director on 30 June 2020, the Company fails to meet the requirements of (i) having at least three independent non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules; and (ii) the Audit Committee comprising only non-executive Directors with a minimum of three members under Rule 3.21 of the Listing Rules. In order to ensure compliance with the Listing Rules, the Company is actively identifying suitable candidate(s) with a view to fill the vacancies on the Board as soon as practicable.

## ADDITIONAL INFORMATION TO THE 2019 ANNUAL REPORT

Reference is made to the Company's 2019 annual report for the year ended 31 December 2019 (the "2019 Annual Report"). The Company provides further information as follows:

The Directors consider that save for the transactions relating to subsidies received from an automaker which were settled through related parties pursuant to the pass-through arrangement (as disclosed in note 28 on pages 118 and 119 of the 2019 Annual Report) which do not constitute connected transactions, the material related party transactions disclosed in note 28 to the audited 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.

## USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 3 April 2019. The net proceeds from the global offering (including the exercise of the over-allotment option) amounted to HK\$1,552.3 million (approximately RMB1,368.97 million). There was no change in the intended use of net proceeds as previously disclosed in the supplemental prospectus dated 25 March 2019 of the Company. As at 30 June 2020, the Company had utilised the proceeds as follows:

Use of net proceeds	Net proceeds from the Global Offering (RMB million)	Utilised net proceeds (RMB million)	Unutilised net proceeds (RMB million)
Fund the self-operated retail loans to be disbursed to external customers	889.83	889.83	—
Develop network of external dealers	68.45	29.13	39.32
Fund self-operated retail loans to be disbursed to ZhengTong customers	205.34	205.34	—
Develop technological, operational and risk management capabilities	68.45	16.21	52.24
General working capital	136.90	136.90	—
<b>Total</b>	<b>1,368.97</b>	<b>1,277.41</b>	<b>91.56</b>

## CORPORATE GOVERNANCE AND OTHER INFORMATION

The unutilised net proceeds of approximately RMB91.56 million was placed in bank deposits with banks in the PRC and Hong Kong. The Company expects 70% and 30% of the unutilised net proceeds shall be utilised as intended by 31 December 2021 and 31 December 2022 respectively.

### REVIEW OF ACCOUNTS

The Audit Committee currently comprises two independent non-executive Directors, namely Mr. Wong Man Chung Francis (chairman) and Ms. Liang Yanjun. The unaudited interim financial report of the Company for the six months ended 30 June 2020 has been reviewed by the Company's auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2020. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management and KPMG. Based on the review and discussions with the management, the Audit Committee was satisfied that the Company's unaudited interim financial report was prepared in accordance with applicable accounting standards and fairly present the Company's financial position and results for the period under review.

### APPRECIATION

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

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

28 August 2020



## INDEPENDENT REVIEW REPORT



Review report to the board of directors

of Shanghai Dongzheng Automotive Finance Co., Ltd.

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

### INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 60 which comprises the statement of financial position of Shanghai Dongzheng Automotive Finance Co., Ltd. (the "Company") as of 30 June 2020 and the related statement of profit or loss and other comprehensive income and statement of changes in equity and cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 August 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**for the six months ended 30 June 2020 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Interest income		443,351	465,387
Interest expenses		(154,565)	(243,389)
<b>Net interest income</b>	3	<b>288,786</b>	221,998
Fee and commission income		40,203	128,925
Fee and commission expenses		(477)	(691)
<b>Net fee and commission income</b>	4	<b>39,726</b>	128,234
Other net income	5	9,828	36,601
<b>Operating income</b>		<b>338,340</b>	386,833
Operating expenses		(55,582)	(69,185)
Impairment losses		(91,310)	(47,546)
Finance costs		(1,025)	(781)
<b>Profit before taxation</b>	6	<b>190,423</b>	269,321
Income tax	7	(47,702)	(67,465)
<b>Profit and total comprehensive income for the period</b>		<b>142,721</b>	201,856
<b>Earnings per share</b>			
Basic and diluted (RMB)	8	0.07	0.11

The notes on pages 23 to 60 form part of this interim financial report.



**STATEMENT OF FINANCIAL POSITION**

at 30 June 2020 — unaudited

(Express in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2020 (unaudited) RMB'000	At 31 December 2019 (audited) RMB'000
<b>Assets</b>			
Cash and deposits with central bank	9	9,556	9,479
Deposits with banks	10	177,391	126,524
Loans and advances to customers	11	8,151,015	10,004,153
Finance lease receivables	12	32,821	52,001
Property and equipment	13	34,398	40,532
Intangible assets	14	13,458	16,512
Deferred tax assets	19(b)	41,877	54,852
Other assets	15	40,857	23,990
<b>Total assets</b>		<b>8,501,373</b>	<b>10,328,043</b>
<b>Liabilities</b>			
Placements from banks	16	4,057,335	5,891,421
Guarantee deposits	17	154,736	156,845
Lease liabilities	18	27,875	32,388
Current taxation	19(a)	30,456	70,961
Other liabilities	20	78,675	166,853
<b>Total liabilities</b>		<b>4,349,077</b>	<b>6,318,468</b>
<b>NET ASSETS</b>		<b>4,152,296</b>	<b>4,009,575</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	21(c)	2,139,651	2,139,651
Reserves	21(d)	2,012,645	1,869,924
<b>TOTAL EQUITY</b>		<b>4,152,296</b>	<b>4,009,575</b>

Approved and authorised for issue by the board of directors on 28 August 2020.

**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 23 to 60 form part of this interim financial report.

**STATEMENT OF CHANGES IN EQUITY**for the six months ended 30 June 2020 — unaudited  
(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 RMB'000	Total equity RMB'000
<b>Balance at 1 January 2019</b>	1,600,000	404,340	45,252	107,041	325,545	2,482,178
<b>Changes in equity for the six months ended 30 June 2019:</b>						
1. Profit and total comprehensive income for the period	—	—	—	—	201,856	201,856
2. Issue of H shares	21(c) 539,651	769,517	—	—	—	1,309,168
<b>Balance at 30 June 2019 and 1 July 2019 (unaudited)</b>	2,139,651	1,173,857	45,252	107,041	527,401	3,993,202
<b>Changes in equity for the six months ended 31 December 2019:</b>						
1. Profit and total comprehensive income for the period	—	—	—	—	187,545	187,545
2. Appropriation of profits						
— Dividends declared in respect of the current period	21(b) —	—	—	—	(171,172)	(171,172)
— Appropriation for surplus reserve	21(d) —	—	38,940	—	(38,940)	—
— Appropriation for general risk reserve	21(d) —	—	—	49,006	(49,006)	—
<b>Balance at 31 December 2019 (audited)</b>	2,139,651	1,173,857	84,192	156,047	455,828	4,009,575
<b>Changes in equity for the six months ended 30 June 2020:</b>						
Profit and total comprehensive income for the period	—	—	—	—	142,721	142,721
<b>Balance at 30 June 2020 (unaudited)</b>	2,139,651	1,173,857	84,192	156,047	598,549	4,152,296

The notes on pages 23 to 60 form part of this interim financial report.



**CASH FLOW STATEMENT**for the six months ended 30 June 2020 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
<b>Operating activities</b>			
Profit before taxation		190,423	269,321
Adjustments for:			
Impairment losses	6(b)	91,310	47,546
Depreciation and amortisation	6(c)	9,493	8,622
Listing expenses	6(c)	—	9,207
Finance costs	6(c)	1,025	781
Changes in operating assets			
Net decrease in deposits with central bank		158	7,538
Net increase in deposits with other banks		(523)	—
Net decrease/(increase) in loans and advances to customers		1,803,900	(1,553,489)
Net decrease in finance lease receivables		16,331	22,124
Net increase in other assets		(55,704)	(21,891)
Changes in operating liabilities			
Net (decrease)/increase in placements from banks		(1,808,768)	1,378,799
Net (decrease)/increase in guarantee deposits		(2,109)	44,043
Net decrease in deposits from shareholders		—	(600,000)
Net decrease in other liabilities		(104,783)	(35,179)
Cash generated from/(used in) operations		140,753	(422,578)
Income tax paid	19(a)	(75,232)	(74,435)
<b>Net cash generated from/(used in) operating activities</b>		<b>65,521</b>	<b>(497,013)</b>
<b>Investing activity</b>			
Payments for purchase of property and equipment, intangible assets and other assets		(8,494)	(6,891)
<b>Net cash used in investing activity</b>		<b>(8,494)</b>	<b>(6,891)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid	22(b)	(4,513)	(4,260)
Interest element of lease rentals paid	22(b)	(1,025)	(781)
Net proceeds from issuance of H-shares upon the public offering		—	1,365,216
<b>Net cash (used in)/generated from financing activities</b>		<b>(5,538)</b>	<b>1,360,175</b>
Net increase in cash and cash equivalents		51,489	856,271
<b>Cash and cash equivalents at 1 January</b>	22	<b>116,519</b>	<b>800,997</b>
<b>Cash and cash equivalents at 30 June</b>	22	<b>168,008</b>	<b>1,657,268</b>

The notes on pages 23 to 60 form part of this interim financial report.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2019 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 18.

### 2 CHANGES IN ACCOUNTING POLICIES

The Company has applied the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Impacts of the adoption of the above amended HKFRSs are discussed below:

#### Amendments to HKFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)****Amendment to HKFRS 16, Covid-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

None of the above amendments has had a material effect on how the Company’s results and financial position for current or prior periods have been prepared or presented in this interim financial report.

**3 NET INTEREST INCOME**

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Interest income arising from</b>		
Loans and advances to customers	439,960	453,222
Finance lease receivables	1,937	4,184
Deposits with central bank and other banks	1,454	7,981
<b>Sub-total</b>	<b>443,351</b>	465,387
<b>Interest expenses arising from</b>		
Placements from banks	(154,565)	(243,256)
Deposits from shareholders	—	(133)
<b>Sub-total</b>	<b>(154,565)</b>	(243,389)
<b>Net interest income</b>	<b>288,786</b>	221,998

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

## 4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
<b>Fee and commission income arising from</b>		
Joint loan services	28,303	33,772
Consulting services	5,993	90,962
Others	5,907	4,191
<b>Sub-total</b>	<b>40,203</b>	<b>128,925</b>
<b>Fee and commission expenses arising from</b>		
Commission fees	—	(221)
Others	(477)	(470)
<b>Sub-total</b>	<b>(477)</b>	<b>(691)</b>
<b>Net fee and commission income</b>	<b>39,726</b>	<b>128,234</b>

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.

## 5 OTHER NET INCOME

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Government grants	(a)	12,148	—
Net exchange (losses)/gains		(2,558)	36,434
Others		238	167
<b>Total</b>		<b>9,828</b>	<b>36,601</b>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**6 PROFIT BEFORE TAXATION**

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

**(a) Staff costs**

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Salaries, bonuses and allowances	29,212	34,337
Other social welfare	2,403	3,511
Contributions to pension schemes	1,149	3,963
<b>Total</b>	<b>32,764</b>	<b>41,811</b>

**(b) Impairment losses**

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Loans and advances to customers	11(e)	88,461	50,525
Finance lease receivables	12(b)	2,849	(2,979)
<b>Total</b>		<b>91,310</b>	<b>47,546</b>

**(c) Other items**

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Depreciation and amortisation		
— right-of-use assets	4,658	4,344
— intangible assets	3,222	2,083
— property and equipment	1,613	2,195
Tax and surcharges	4,755	3,934
Maintenance fees	1,619	343
Legal consultancy	1,479	952
Travel expenses	316	1,155
Office expenses	190	630
Expense relating to short-term leases	69	220
Listing expenses	—	9,207
Others	4,897	2,311
Sub-total	22,818	27,374
Finance cost	1,025	781
<b>Total</b>	<b>23,843</b>	<b>28,155</b>

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

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

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

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Current tax</b>			
Provision for the period		34,870	48,986
Over-provision in respect of prior years		(143)	—
Sub-total	19(a)	34,727	48,986
<b>Deferred tax</b>			
Origination of temporary differences	19(b)	12,975	18,479
<b>Total</b>		<b>47,702</b>	<b>67,465</b>

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

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Profit before taxation:</b>		<b>190,423</b>	269,321
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(i)	47,606	67,330
Tax effect of non-deductible expenses		239	135
Over-provision in respect of prior years		(143)	—
<b>Actual tax expense</b>		<b>47,702</b>	<b>67,465</b>

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**8 EARNINGS PER SHARE****(a) Basic and diluted earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB142,721 thousands (six months ended 30 June 2019: RMB201,856 thousands) and the weighted average of 2,139,651 thousands ordinary shares (2019: 1,861,604 thousands ordinary shares) in issue during the interim period, which is set out as follows:

***Weighted average number of ordinary shares***

	Six months ended 30 June	
	2020	2019
Number of ordinary shares at 1 January (in thousands)	2,139,651	1,600,000
Effect of issuance of H-shares (in thousands)	—	261,604
Weighted average number of ordinary shares at 30 June (in thousands)	2,139,651	1,861,604

On 3 April 2019, the Company was listed on the Main Board of the HKSE, pursuant to which 533,336 thousands ordinary shares were issued. On 25 April 2019, the over-allotment option granted by the Company was partially exercised, pursuant to which 6,315 thousands ordinary shares were issued.

	Six months ended 30 June	
	2020	2019
Profit attributable to ordinary equity shareholders of the Company (RMB'000)	142,721	201,856
Weighted average number of ordinary shares issued (in thousands)	2,139,651	1,861,604
Basic and diluted earnings per share attributable to shareholders (RMB)	0.07	0.11

There were no dilutive potential ordinary shares for the period ended 30 June 2020 or 2019. Therefore, diluted earnings per share are equivalent to basic earnings per share.

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

**9 CASH AND DEPOSITS WITH CENTRAL BANK**

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(a)	9,266	9,424
– Surplus deposit reserves	(b)	286	50
Sub-total		9,552	9,474
Accrued interest		4	5
<b>Total</b>		<b>9,556</b>	<b>9,479</b>

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

At 30 June 2020 and 31 December 2019, the statutory deposit reserve ratios applicable to the Company were as follows:

	At 30 June 2020	At 31 December 2019
Reserve ratio for deposits	6.0%	6.0%

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

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

**10 DEPOSITS WITH BANKS**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits with banks	177,199	126,469
Accrued interest	192	55
<b>Total</b>	<b>177,391</b>	<b>126,524</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 11 LOANS AND ADVANCES TO CUSTOMERS

## (a) Analysed by nature

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Retail loans	5,621,546	7,522,352
Dealer's loans	2,623,002	2,625,086
Gross loans and advances to customers	8,244,548	10,147,438
Accrued interest	87,302	48,079
Less: Allowances for impairment losses	(180,835)	(191,364)
Net loans and advances to customers	8,151,015	10,004,153

## (b) Analysed by type of collateral

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Collateralized loans	5,621,546	7,522,352
Guaranteed loans	2,623,002	2,625,086
Gross loans and advances to customers	8,244,548	10,147,438
Accrued interest	87,302	48,079
Less: Allowances for impairment losses	(180,835)	(191,364)
Net loans and advances to customers	8,151,015	10,004,153

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

	At 30 June 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	63,818	21,468	2,818	—	88,104

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

**11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

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

	At 31 December 2019				
	Overdue	Overdue		Overdue	
	within	more than	more than	Overdue	
	3 months	3 months to	6 months to	more than	
	(inclusive)	6 months	one year	one year	Total
RMB'000	(inclusive)	(inclusive)	RMB'000	RMB'000	
Collateralized loans	89,974	17,012	12,800	3,385	123,171

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans and advances to customers before any allowances for impairment losses. As at 30 June 2020, there was no overdue guaranteed loan (as at 31 December 2019: Nil).

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

	At 30 June 2020			
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RMB'000	for not credit-impaired	for credit-impaired	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers (including accrued interest)	8,243,681	54,574	33,595	8,331,850
Less: Allowances for impairment losses	(132,931)	(15,802)	(32,102)	(180,835)
Net loans and advances to customers	8,110,750	38,772	1,493	8,151,015

	At 31 December 2019			
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RMB'000	for not credit-impaired	for credit-impaired	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers (including accrued interest)	10,072,109	78,175	45,233	10,195,517
Less: Allowances for impairment losses	(112,932)	(38,459)	(39,973)	(191,364)
Net loans and advances to customers	9,959,177	39,716	5,260	10,004,153

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

## (e) Movements of allowances for impairment losses

	Note	Six months ended 30 June 2020			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL for not credit- impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2020		112,932	38,459	39,973	191,364
Transferred to:					
– 12-month ECL		5,612	(5,053)	(559)	–
– lifetime ECL for not credit-impaired		(716)	1,649	(933)	–
– lifetime ECL for credit-impaired		(338)	(2,783)	3,121	–
Charge/(reversal) for the period	6(b)	15,441	(16,470)	89,490	88,461
Write-off for the period		–	–	(105,399)	(105,399)
Recovery after write-off		–	–	6,409	6,409
At 30 June 2020		132,931	15,802	32,102	180,835

  

	Note	Year ended 31 December 2019			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 2019		89,071	26,522	20,386	135,979
Transferred to:					
– 12-month ECL		7,104	(7,104)	–	–
– lifetime ECL for not credit-impaired		(780)	860	(80)	–
– lifetime ECL for credit-impaired		(419)	(1,908)	2,327	–
Charge for the year	6(b)	17,956	20,089	80,138	118,183
Write-off for the year		–	–	(66,750)	(66,750)
Recovery after write-off		–	–	3,952	3,952
At 31 December 2019		112,932	38,459	39,973	191,364

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

**12 FINANCE LEASE RECEIVABLES**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Minimum finance lease receivables	43,808	60,577
Less: Unearned finance lease income	(3,005)	(3,443)
Present value of finance lease receivables	40,803	57,134
Less: Allowances for impairment losses	(7,982)	(5,133)
<b>Total</b>	<b>32,821</b>	<b>52,001</b>

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

	At 30 June 2020		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Within 1 year (inclusive)	28,697	(2,036)	26,661
After 1 year but within 2 years (inclusive)	10,356	(808)	9,548
After 2 years but within 3 years (inclusive)	4,734	(161)	4,573
After 3 years but within 4 years (inclusive)	21	—	21
Sub-total	43,808	(3,005)	40,803
Less: Allowances for impairment losses			(7,982)
<b>Total</b>			<b>32,821</b>

	At 31 December 2019		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Within 1 year (inclusive)	47,399	(3,002)	44,397
After 1 year but within 2 years (inclusive)	12,769	(399)	12,370
After 2 years but within 3 years (inclusive)	294	(36)	258
After 3 years but within 4 years (inclusive)	115	(6)	109
Sub-total	60,577	(3,443)	57,134
Less: Allowances for impairment losses			(5,133)
<b>Total</b>			<b>52,001</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 12 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Note	Six months ended 30 June 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		53	(53)	–	–
– lifetime ECL for not credit-impaired		(69)	69	–	–
– lifetime ECL for credit-impaired		(2)	–	2	–
(Reversal)/charge for the period	6(b)	(172)	2,160	861	2,849
At 30 June 2020		198	2,971	4,813	7,982

		Year ended 31 December 2019			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 2019		644	4,159	6,660	11,463
Transferred to:					
– 12-month ECL		3,999	(3,999)	–	–
– lifetime ECL for not credit-impaired		(33)	33	–	–
– lifetime ECL for credit-impaired		(1)	–	1	–
(Reversal)/charge for the year		(4,221)	602	(11)	(3,630)
Write-off for the year		–	–	(3,244)	(3,244)
Recovery after write-off		–	–	544	544
At 31 December 2019		388	795	3,950	5,133

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

### 13 PROPERTY AND EQUIPMENT

(a) Carrying amount

	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use carried at cost RMB'000	Total RMB'000
<b>Cost:</b>					
At 1 January 2019	3,597	1,032	7,060	33,918	45,607
Additions	488	50	7,367	15,386	23,291
At 31 December 2019	4,085	1,082	14,427	49,304	68,898
Additions	288	—	1	—	289
Disposal for lease	—	—	—	(179)	(179)
At 30 June 2020	<b>4,373</b>	<b>1,082</b>	<b>14,428</b>	<b>49,125</b>	<b>69,008</b>
<b>Accumulated depreciation:</b>					
At 1 January 2019	(1,442)	(557)	(4,577)	(10,618)	(17,194)
Charge for the year	(734)	(199)	(1,630)	(8,609)	(11,172)
At 31 December 2019	(2,176)	(756)	(6,207)	(19,227)	(28,366)
Charge for the period	(370)	(86)	(1,157)	(4,658)	(6,271)
Disposal for lease	—	—	—	27	27
At 30 June 2020	<b>(2,546)</b>	<b>(842)</b>	<b>(7,364)</b>	<b>(23,858)</b>	<b>(34,610)</b>
<b>Net book value:</b>					
At 30 June 2020	<b>1,827</b>	<b>240</b>	<b>7,064</b>	<b>25,267</b>	<b>34,398</b>
At 31 December 2019	1,909	326	8,220	30,077	40,532

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**13 PROPERTY AND EQUIPMENT (CONTINUED)****(b) Right-of-use assets**

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Properties leased for own use carried at cost	25,267	30,077

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets	4,658	4,344
Finance cost (Note 6(c))	1,025	781
Expense relating to short-term leases	69	220

**14 INTANGIBLE ASSETS**

	Computer software RMB'000
<b>Cost:</b>	
At 1 January 2019	30,185
Additions	7,643
At 31 December 2019	37,828
Additions	168
At 30 June 2020	<b>37,996</b>
<b>Accumulated amortisation:</b>	
At 1 January 2019	(14,828)
Charge for the year	(6,488)
At 31 December 2019	(21,316)
Charge for the period	(3,222)
At 30 June 2020	<b>(24,538)</b>
<b>Net book value:</b>	
At 30 June 2020	<b>13,458</b>
At 31 December 2019	16,512

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
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**15 OTHER ASSETS**

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments		18,254	3,845
Other receivables	(a)	14,414	12,570
Interest receivables		7,645	7,300
Others		544	275
<b>Total</b>		<b>40,857</b>	<b>23,990</b>

**(a) Other receivables**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Commission receivables of joint loans	11,002	9,255
Deposits	3,412	3,315
<b>Total</b>	<b>14,414</b>	<b>12,570</b>

**16 PLACEMENTS FROM BANKS**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Placements from banks	4,039,720	5,848,488
Accrued interest	17,615	42,933
<b>Total</b>	<b>4,057,335</b>	<b>5,891,421</b>

**17 GUARANTEE DEPOSITS**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits provided by dealers for dealer's loans	135,685	135,585
Deposits from finance lease clients	13,821	15,005
Deposits provided by dealers for retail business	5,230	6,255
<b>Total</b>	<b>154,736</b>	<b>156,845</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**18 LEASE LIABILITIES**

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

	At 30 June 2020		At 31 December 2019	
	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)	9,288	10,881	8,982	10,887
After 1 year but within 2 years (inclusive)	10,135	11,079	9,775	11,053
After 2 years but within 3 years (inclusive)	7,024	7,345	9,419	10,023
More than 3 years	1,428	1,444	4,212	4,332
	<b>18,587</b>	<b>19,868</b>	23,406	25,408
	<b>27,875</b>	<b>30,749</b>	32,388	36,295
Less: total future interest expenses		(2,874)		(3,907)
Present value of lease liabilities		<b>27,875</b>		32,388

**19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION**

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

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Balance at the beginning of the period/year		70,961	59,478
Provision for current income tax for the period/year	7(a)	34,727	111,121
Payment during the period/year		(75,232)	(99,638)
Balance at the end of the period/year		30,456	70,961

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)****(b) Deferred tax assets and liabilities recognised:**

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the period/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 RMB'000	Total RMB'000
Balance at 1 January 2019	15,169	58,635	305	74,109
Charged/(credited) to profit or loss	10,351	(29,881)	273	(19,257)
Balance at 31 December 2019	25,520	28,754	578	54,852
Charged/(credited) to profit or loss	2,187	(15,236)	74	(12,975)
Balance at 30 June 2020	<b>27,707</b>	<b>13,518</b>	<b>652</b>	<b>41,877</b>

**20 OTHER LIABILITIES**

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Other payables	(a)	<b>77,853</b>	165,881
Advance receipts		<b>822</b>	972
<b>Total</b>		<b>78,675</b>	166,853

**(a) Other payables**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Payables of joint loans	<b>39,006</b>	76,133
Brokerage fees payable	<b>12,523</b>	12,281
IPO service fees payable	<b>8,036</b>	32,962
Accruals	<b>5,836</b>	14,155
Employee benefits payables	<b>5,109</b>	12,569
Tax and surcharges and other taxation payable	<b>3,695</b>	12,707
Others	<b>3,648</b>	5,074
<b>Total</b>	<b>77,853</b>	165,881

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**21 CAPITAL AND RESERVES****(a) Movement in components of equity**

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

**(b) Dividends**

Dividends paid to equity shareholders of the Company attributable to the period:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interim dividend propose after interim period (six months ended 30 June 2019: RMB0.08 per share)	—	171,172

**(c) Share capital**

On 3 April 2019, the H-shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which 533,336 thousands ordinary shares of RMB1.00 each were issued at the price of HK\$3.06 per share by the Company. The gross proceeds from the issue of these H-shares amounted to HK\$1,632,008 thousands (equivalent to approximately RMB1,397,081 thousands). The premium arising from the issuance of H-shares upon public offering amounted to RMB760,080 thousands was recorded in capital reserve.

On 25 April 2019, the over-allotment option granted by the Company was partially exercised, pursuant to which 6,315 thousands ordinary shares of RMB1.00 each were issued at the price of HK\$3.06 per share by the Company. The gross proceeds from the issue of these shares amounted to HK\$19,325 thousands (equivalent to approximately RMB16,589 thousands). The premium arising from the issuance of shares upon over-allotment amounted to RMB9,437 thousands was recorded in capital reserve.

**(d) Nature and purpose of reserves****(i) Capital reserve**

On 3 April 2019, the Company issued 533,336 thousands new H-shares by way of initial public offering ("IPO"). On 25 April 2019, the Company issued 6,315 thousands new H-shares by way of over-allotment. The premium arising from the issuance of H-shares upon public offering and over-allotment amounted to RMB760,080 thousands and RMB9,437 thousands, respectively, was recorded in capital reserve.

**(ii) Surplus reserve**

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

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

**21 CAPITAL AND RESERVES (CONTINUED)**

**(d) Nature and purpose of reserves (continued)**

**(ii) Surplus reserve (continued)**

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

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

**(iii) General risk reserve**

Pursuant to "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance of the PRC, the Company is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The general risk reserve balance of the Company as at 30 June 2020 amounted to RMB156,047 thousands (2019: RMB156,047 thousands), which has reached the requirement.

**(e) Capital management**

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

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

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



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
(Express in thousands of Renminbi, unless otherwise stated)**21 CAPITAL AND RESERVES (CONTINUED)****(e) Capital management (continued)**

The Company calculates the capital adequacy ratios as at 30 June 2020 and 31 December 2019 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former China Banking Regulatory Commission (the "CBRC") in 2012 and relevant requirements promulgated by the China Banking and Insurance Regulatory Commission (the "CBIRC") as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Core tier-one capital		
— Share capital	2,139,651	2,139,651
— Capital reserve	1,173,857	1,173,857
— Surplus reserve	84,192	84,192
— General risk reserve	156,047	156,047
— Retained earnings	598,549	455,828
Total core tier-one capital	4,152,296	4,009,575
Core tier-one capital deductions		
— Net value of intangible asset after deduction of related deferred income tax liabilities	(13,458)	(16,512)
Net core tier-one capital	4,138,838	3,993,063
Net tier-one capital	4,138,838	3,993,063
Tier-two capital		
— Surplus provision for loan impairment	88,871	105,563
Net tier-two capital	88,871	105,563
Net capital base	4,227,709	4,098,626
Credit risk-weighted assets	7,198,534	8,550,586
Operational risk-weighted assets	1,297,962	1,297,962
Total risk-weighted assets	8,496,496	9,848,548
Core tier-one capital adequacy ratio	48.71%	40.54%
Tier-one capital adequacy ratio	48.71%	40.54%
Capital adequacy ratio	49.76%	41.62%

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

## 22 NOTES TO CASH FLOW STATEMENTS

### (a) Cash and cash equivalents comprise

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposit reserves with central bank	9	286	50
Deposits with banks within original maturity of three months or less		167,722	116,469
Cash and cash equivalents in the cash flow statements		168,008	116,519

### (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.

	Lease liabilities (Note 18) RMB'000
<b>At 1 January 2020</b>	<b>32,388</b>
<b>Changes from financing cash flows:</b>	
Capital element of finance lease rentals paid	(4,513)
Interest element of finance lease rentals paid	(1,025)
Total changes from financing cash flows	(5,538)
<b>Other change:</b>	
Finance cost (Note 6(c))	1,025
Total other change	1,025
<b>At 30 June 2020</b>	<b>27,875</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**22 NOTES TO CASH FLOW STATEMENTS (CONTINUED)**

	Lease liabilities (Note 18) RMB'000
<b>At 1 January 2019</b>	24,520
<b>Changes from financing cash flows:</b>	
Capital element of finance lease rentals paid	(7,518)
Interest element of finance lease rentals paid	(1,633)
<b>Total changes from financing cash flows</b>	<b>(9,151)</b>
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the period	15,386
Finance cost (Note 6(c))	1,633
<b>Total other changes</b>	<b>17,019</b>
<b>At 31 December 2019</b>	<b>32,388</b>

**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

### (a) Credit risk (continued)

#### (i) Management of credit risk (continued)

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 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 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. They are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(a) Credit risk (continued)****(ii) Assessing credit risk of financial assets (continued)**

After adopting HKFR 9 at 1 January 2018, the Company's current credit risk grading framework in respect of financial assets also comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis of recognizing ECL</b>
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 period ended 30 June 2020, the Company has written off loans and advances to customers of RMB105,399 thousands (31 December 2019: RMB66,750 thousands) and finance lease receivables of 0 (31 December 2019: RMB3,244 thousands) as the Company had identified these debtors have financial difficulties.

For other receivables, the Company has applied the simplified approach in HKFRS 9 to measure them. Other receivables mainly consist of commission receivables of joint loans, deposits and consulting fees receivables, which are not considered meaningful due to the insignificant credit risk.

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

The following table provides information about the Company's exposure to credit risk and ECLs for loans and advances to customers and finance lease receivables 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.

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(Express in thousands of Renminbi, unless otherwise stated)

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

(a) Credit risk (continued)

	At 30 June 2020				Total RMB'000
	Loans and advances to customers		Finance lease receivables		
	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	
<b>Gross balance are assessed for 12-month ECL</b>					
— Neither overdue nor credit-impaired (including accrued interest)	8,243,681		15,249		8,258,930
Allowances for impairment losses	(132,931)		(198)		(133,129)
<b>Net balance</b>	<b>8,110,750</b>	<b>1.61%</b>	<b>15,051</b>	<b>1.30%</b>	<b>8,125,801</b>
<b>Gross balance are not credit-impaired and assessed for lifetime ECL</b>					
— Overdue but not credit-impaired	54,509		6,309		60,818
— Neither overdue nor credit-impaired (including accrued interest)	65		14,432		14,497
Sub-total	54,574		20,741		75,315
Allowances for impairment losses	(15,802)		(2,971)		(18,773)
<b>Net balance</b>	<b>38,772</b>	<b>28.96%</b>	<b>17,770</b>	<b>14.32%</b>	<b>56,542</b>
<b>Gross balance are credit-impaired and assessed for lifetime ECL</b>					
— Overdue and credit-impaired	33,595		4,813		38,408
Allowances for impairment losses	(32,102)		(4,813)		(36,915)
<b>Net balance</b>	<b>1,493</b>	<b>95.56%</b>	<b>—</b>	<b>100.00%</b>	<b>1,493</b>
<b>Book value</b>	<b>8,151,015</b>		<b>32,821</b>		<b>8,183,836</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(a) Credit risk (continued)**

	At 31 December 2019				
	Loans and advances to customers		Finance lease receivables		Total
	RMB'000	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000
<b>Gross balance are assessed for 12-month ECL</b>					
— Neither overdue nor credit- impaired (including accrued interest)	10,072,109		49,394		10,121,503
Allowances for impairment losses	(112,932)		(388)		(113,320)
<b>Net balance</b>	<u>9,959,177</u>	<i>1.12%</i>	<u>49,006</u>	<i>0.79%</i>	<u>10,008,183</u>
<b>Gross balance are not credit- impaired and assessed for lifetime ECL</b>					
— Overdue but not credit-impaired	77,938		3,241		81,179
— Neither overdue nor credit- impaired (including accrued interest)	237		—		237
Sub-total	78,175		3,241		81,416
Allowances for impairment losses	(38,459)		(795)		(39,254)
<b>Net balance</b>	<u>39,716</u>	<i>49.20%</i>	<u>2,446</u>	<i>24.53%</i>	<u>42,162</u>
<b>Gross balance are credit- impaired and assessed for lifetime ECL</b>					
— Overdue and credit-impaired	45,233		4,499		49,732
Allowances for impairment losses	(39,973)		(3,950)		(43,923)
<b>Net balance</b>	<u>5,260</u>	<i>88.37%</i>	<u>549</u>	<i>87.79%</i>	<u>5,809</u>
<b>Book value</b>	<u>10,004,153</u>		<u>52,001</u>		<u>10,056,154</u>

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

## (b) Liquidity risk

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

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

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

	At 30 June 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			
<b>Financial assets</b>								
Cash and deposits with central bank	9,556	—	—	—	—	9,556	9,556	
Deposits with banks	167,391	—	—	10,073	—	177,464	177,391	
Loans and advances to customers	40,224	969,888	2,123,447	3,186,384	2,408,411	8,728,354	8,151,015	
Finance lease receivables	5,726	1,359	2,718	12,232	13,791	35,826	32,821	
Other assets	22,059	—	—	—	—	22,059	22,059	
<b>Total</b>	<b>244,956</b>	<b>971,247</b>	<b>2,126,165</b>	<b>3,208,689</b>	<b>2,422,202</b>	<b>8,973,259</b>	<b>8,392,842</b>	
<b>Financial liabilities</b>								
Placements from banks	—	(785,507)	(909,259)	(2,447,506)	—	(4,142,272)	(4,057,335)	
Guarantee deposits	(140,915)	(1,378)	—	(9,368)	(3,075)	(154,736)	(154,736)	
Lease liabilities	—	(996)	(1,992)	(7,893)	(19,868)	(30,749)	(27,875)	
Other liabilities	(34,643)	(3,668)	(6,555)	(19,151)	(10,141)	(74,158)	(74,158)	
<b>Total</b>	<b>(175,558)</b>	<b>(791,549)</b>	<b>(917,806)</b>	<b>(2,483,918)</b>	<b>(33,084)</b>	<b>(4,401,915)</b>	<b>(4,314,104)</b>	
<b>Net position</b>	<b>69,398</b>	<b>179,698</b>	<b>1,208,359</b>	<b>724,771</b>	<b>2,389,118</b>	<b>4,571,344</b>	<b>4,078,738</b>	

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(Express in thousands of Renminbi, unless otherwise stated)

**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(b) Liquidity risk (continued)**

	At 31 December 2019						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	
<b>Financial assets</b>								
Cash and deposits with central bank	9,479	—	—	—	—	9,479	9,479	
Deposits with banks	86,523	30,004	—	10,172	—	126,699	126,524	
Loans and advances to customers	44,953	938,229	2,284,993	3,716,099	3,974,455	10,958,729	10,004,153	
Finance lease receivables	3,475	3,241	6,482	29,168	13,078	55,444	52,001	
Other assets	19,870	—	—	—	—	19,870	19,870	
<b>Total</b>	<b>164,300</b>	<b>971,474</b>	<b>2,291,475</b>	<b>3,755,439</b>	<b>3,987,533</b>	<b>11,170,221</b>	<b>10,212,027</b>	
<b>Financial liabilities</b>								
Placements from banks	—	(761,987)	(1,722,338)	(3,456,366)	—	(5,940,691)	(5,891,421)	
Guarantee deposits	(141,840)	—	—	(2,537)	(12,468)	(156,845)	(156,845)	
Lease liabilities	—	(907)	(1,815)	(8,165)	(25,408)	(36,295)	(32,388)	
Other liabilities	(77,041)	(18,421)	(8,370)	(28,370)	(20,972)	(153,174)	(153,174)	
<b>Total</b>	<b>(218,881)</b>	<b>(781,315)</b>	<b>(1,732,523)</b>	<b>(3,495,438)</b>	<b>(58,848)</b>	<b>(6,287,005)</b>	<b>(6,233,828)</b>	
<b>Net position</b>	<b>(54,581)</b>	<b>190,159</b>	<b>558,952</b>	<b>260,001</b>	<b>3,928,685</b>	<b>4,883,216</b>	<b>3,978,199</b>	

**(c) Interest rate risk**

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

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

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

## (c) Interest rate risk (continued)

## (i) Interest rate profile

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

	At 30 June 2020		At 31 December 2019	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
<b>Fixed interest rate:</b>				
Financial assets				
Loans and advances to customers	7.51%–15.48%	8,151,015	7.60%–15.48%	10,004,153
Finance lease receivables	7.86%–18.71%	32,821	7.86%–18.71%	52,001
<b>Total</b>		<b>8,183,836</b>		<b>10,056,154</b>
Financial liability				
Placements from banks	4.60%–7.50%	(4,057,335)	5.00%–8.00%	(5,891,421)
<b>Total</b>		<b>(4,057,335)</b>		<b>(5,891,421)</b>
<b>Net position</b>		<b>4,126,501</b>		<b>4,164,733</b>

	At 30 June 2020		At 31 December 2019	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
<b>Variable interest rate:</b>				
Financial assets				
Cash and deposits with central bank	0.72%–1.62%	9,556	0.72%–1.62%	9,479
Deposits with banks	0.01%–2.17%	177,391	0.01%–2.17%	126,524
<b>Total</b>		<b>186,947</b>		<b>136,003</b>

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(Express in thousands of Renminbi, unless otherwise stated)

**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(c) Interest rate risk (continued)****(ii) Sensitivity analysis**— *Fair value interest rate risk*

The Company does not held 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*

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Increase/(decrease) in profit after tax and retained profits		
Interest rates increase by 100 bps	1,227	893
Interest rates decrease by 100 bps	(1,226)	(892)

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

**(d) Currency risk**

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

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

(d) **Currency risk (continued)**

(i) **Exposure to currency risk**

	Exposure to foreign currencies (expressed in RMB thousand)			
	At 30 June 2020		At 31 December 2019	
	USD	HKD	USD	HKD
Deposits with banks	56	2,277	56	32,878
Other liabilities	—	(20,559)	—	(45,243)
<b>Net position</b>	<b>56</b>	<b>(18,282)</b>	<b>56</b>	<b>(12,365)</b>

(ii) **Sensitivity analysis**

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Changes in profit after tax and equity		
Foreign exchange rate increase by 100 bps	(137)	(92)
Foreign exchange rate decrease by 100 bps	137	92

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 after tax and equity measured in the respective foreign currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

(e) **Operational risk**

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

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**23 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(f) Fair value**

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

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

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

**24 MATERIAL RELATED PARTY TRANSACTIONS**

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

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

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

<b>Company</b>	<b>Relationship</b>
China ZhengTong Auto Services Holding Limited	Parent Company
Baoding Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Baotou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Baotou Zhongrui Automobile Sales Service Co., Ltd.	Fellow subsidiary
Baotou Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Baozhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Dewanlong Trading Co., Ltd.	Fellow subsidiary
Beijing BWWR Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing SCAS North China Automobile Services Co., Ltd.	Fellow subsidiary
Beijing SCAS Zhongguan Automobile Sales Co., Ltd.	Fellow subsidiary
Beijing Zhengtong Baozhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Changsha Ruibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Chengdu Qibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Chenzhou Ruibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Dingze Insurance Agency Co., Ltd.	Fellow subsidiary
Dongguan Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary

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## 24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

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

<b>Company</b>	<b>Relationship</b>
Shanghai Qize Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shanghai Qibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shangrao Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shangrao Luze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shantou Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen Hengshuo Advisory Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Electric Machinery Co., Ltd.	Fellow subsidiary
Shengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Suzhou Anzhixing Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin Automobile Industry SCAS Sales Co., Ltd.	Fellow subsidiary
Weihai Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Zhengtong United Industrial Investment Group Co., Ltd.	Fellow subsidiary
Wuhan Luze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Wuhan Kaitai Automobile Sales Services Co., Ltd.	Fellow subsidiary
Xiangtan Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Xiangyang Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yichang Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Yichun Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhengzhou Dingwo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhongshan SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai SCAS Jieli Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhuhai SCAS Automobile Sales Service Co., Ltd.	Fellow subsidiary

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## 24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Significant transactions with related parties

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

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Subsidies receipt for retail loans	(i)	852	33,827
Interest income	(i)	118,803	140,068
Interest expenses		—	(133)
Operating expenses		(73)	(151)
Additions of deposits from shareholders		—	362,280
Decrease of deposits from shareholders		—	(962,280)

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

### (c) Balances with related parties

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

	Note	At	At
		30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Assets</b>			
Dealer's loans (including accrued interest)	(i)	1,520,693	1,497,265
Subsidies for retail loans	(ii)	(36,197)	(80,656)
Mortgage service fees	(ii)	844	1,559
Other assets		345	345
<b>Liabilities</b>			
Guarantee deposits		75,000	75,000
Other liabilities		932	1,073
<b>Off-balance sheet items</b>			
Guarantees received for dealer's loans	(iii)	1,520,693	1,497,265

- (i) In the first half of 2020, the Company granted extension to certain dealer's loan borrowers affected by COVID-19 to defer the loan interest payment by a quarter, which including dealer's loans principal and accrued interest with related parties amounted to RMB1,481,367 thousands and RMB39,326 thousands as of 30 June 2020 respectively.
- (ii) The subsidies for retail loans and mortgage service fees are initially recognised in loans and receivables at amortised method.
- (iii) The guarantees were provided by fellow subsidiaries of the Company for repayment of dealer's loans. These guarantees expire on the same date as the related loans.

All balances with related parties are related to main business of the Company except for other liabilities due to fellow subsidiaries amounting to RMB932 thousands and RMB1,073 thousands as of 30 June 2020 and 31 December 2019, respectively.

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**24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Directors and key management personnel remuneration**

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Remuneration of key management personnel	4,087	4,735

**25 SEGMENT REPORTING****(a) Business segment**

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

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

	Six months ended 30 June 2020			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Net interest income	201,791	85,541	1,454	288,786
Net fee and commission income	39,726	—	—	39,726
Other net income	—	—	9,828	9,828
<b>Operating income</b>	<b>241,517</b>	<b>85,541</b>	<b>11,282</b>	<b>338,340</b>
Operating expenses	(40,415)	(15,167)	—	(55,582)
Impairment losses	(78,262)	(13,048)	—	(91,310)
Finance costs	(745)	(280)	—	(1,025)
<b>Profit before taxation</b>	<b>122,095</b>	<b>57,046</b>	<b>11,282</b>	<b>190,423</b>
<b>Other segment information</b>				
— Depreciation and amortisation	6,902	2,591	—	9,493

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

**25 SEGMENT REPORTING (CONTINUED)**

**(a) Business segment (continued)**

	At 30 June 2020			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets/total assets	5,525,720	2,677,307	298,346	8,501,373
Reportable segment liabilities/total liabilities	(3,386,317)	(868,762)	(93,998)	(4,349,077)

	Six months ended 30 June 2019			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net interest income	189,050	24,967	7,981	221,998
Net fee and commission income	128,234	—	—	128,234
Other net income	—	—	36,601	36,601
Operating income	317,284	24,967	44,582	386,833
Operating expenses	(62,889)	(6,296)	—	(69,185)
Impairment losses	(40,805)	(6,741)	—	(47,546)
Finance costs	(710)	(71)	—	(781)
Profit before taxation	212,880	11,859	44,582	269,321
Other segment information				
— Depreciation and amortisation	7,837	785	—	8,622

	At 31 December 2019			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets/total assets	7,419,766	2,653,217	255,060	10,328,043
Reportable segment liabilities/total liabilities	(4,894,400)	(1,203,270)	(220,798)	(6,318,468)

**(b) Geographical information**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**25 SEGMENT REPORTING (CONTINUED)****(c) Information about major customers**

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

**26 CONTINGENCIES**

The Company did not have any material contingent liabilities at the end of the reporting period.

**27 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD****Pledge of loans and advances to customers**

On 1 July 2020, the Company signed a pledge contract with Bank of Shanghai Co., Ltd. ("Bank of Shanghai"). According to the contract, the Company has pledged its retail loans amounting to RMB1.5 billion as collateral to certain placements from Bank of Shanghai to the Company.

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

On 30 July 2020, China ZhengTong Auto Services Holding Limited ("the parent company") announced that it was informed by Joy Capital Holdings Limited ("Joy Capital"), the controlling shareholder of the parent company, which holds 1,383,516,820 shares of the parent company (representing approximately 51.29% of the total issued shares of the parent company as at 30 July 2020), that on 29 July 2020, Joy Capital entered into a memorandum of understanding (the "MOU") with Xiamen ITG Holding Group Co., Ltd ("ITG Holding"), an independent third party, pursuant to which Joy Capital intends to sell, and ITG Holding intends to purchase, approximately 29.9% interests of the parent company, subject to formal agreement to be signed by Joy Capital and ITG Holding.

The MOU is not legally binding, save for the provisions regarding confidentiality, exclusivity, enforceability, governing law and arbitration. The MOU shall be effective from the date of the MOU and shall automatically terminate on 1 October 2020 if no legally binding agreement is entered into and the parties do not agree to further extend the term of the MOU.

Except for the above, the Company has no material events for disclosure subsequent to 30 June 2020 and up to the date of approval to the interim financial report.

**28 COMPARATIVE FIGURES**

For disclosure purposes of the interim financial report, the Company made reclassification adjustments to some comparative figures.

## DEFINITIONS

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

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

## DEFINITIONS

“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and held by persons other than PRC nationals or PRC-incorporated entities and are not listed on any stock exchange
“ZhengTong”	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), 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.