



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

# 2019 Interim Report



\*For identification purposes only



# CONTENT

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	6
Corporate Governance and Other Information	15
Independent Review Report	21
Statement of Profit or Loss and Other Comprehensive Income	22
Statement of Financial Position	23
Statement of Changes in Equity	25
Cash Flow Statement	26
Notes to the Unaudited Interim Financial Report	28
Definition	73

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Directors

Mr. Koh Tee Choong  
Mr. Yin Yaoliang

#### Independent Non-executive Directors

Mr. Lau Wai Leung Anders  
Mr. Lin Zheyang  
Ms. Liang Yanjun

### BOARD OF SUPERVISORS

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

### AUDIT COMMITTEE

Mr. Lau Wai Leung Anders (*Chairman*)  
Mr. Lin Zheyang  
Ms. Liang Yanjun

### REMUNERATION AND EVALUATION COMMITTEE

Mr. Lin Zheyang (*Chairman*)  
Mr. Lau Wai Leung Anders  
Mr. Koh Tee Choong

### NOMINATION COMMITTEE

Mr. Lin Zheyang (*Chairman*)  
Ms. Liang Yanjun  
Mr. Koh Tee Choong

### RISK MANAGEMENT COMMITTEE

Mr. Lin Fan (*Chairman*)  
Mr. Shao Yongjun  
Mr. Lau Wai Leung Anders

### JOINT COMPANY SECRETARIES

Ms. Yao Wen  
Ms. Yu Wing Sze

### 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  
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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

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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**

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1 Matheson Street, Causeway Bay  
Hong Kong

## CHAIRMAN'S STATEMENT

Shanghai Dongzheng Automotive Finance Co., Ltd. was established on 11 March 2015 in the PRC as an enterprise with limited liability. The Company was registered as a joint stock company with limited liability on 15 August 2018 as the only auto finance company with a dealership background, and licensed and regulated by the China Banking and Insurance Regulatory Commission. On 3 April 2019, we were successfully listed on the Main Board of the Stock Exchange ("Main Board") in Hong Kong and became a rising star in the capital market as we are the first listed company among the 25 auto finance companies in the PRC. The Company is committed to operating as a financial institution with international insights into luxury automotive brands, providing professional services in the automotive aftermarket.

Since 2019, there has been a weakening growth in the global economy, with a downturn in macroeconomic conditions. In light of the complicated market conditions at home and abroad, the Company exercises caution in implementing its sustainable strategy, and continues to prioritize risk control measures rather than adopting short-term and low cost investment tactics that yield rapid results. As a result, our business development demonstrates a stable and improving performance momentum. For the first half of 2019, the aggregate amount of operating income amounted to RMB387 million with a net profit of RMB202 million, whilst the loan size exceeded RMB10 billion with a non-performing loan ratio of 0.33%. The provision coverage ratio was 417.01%, the net interest margin was 4.16%, and the capital adequacy ratio was 42.10%

For the first half year, the Company had implemented various measures and seized development opportunities arising from the industry:

- In addition to continuing to scale up our business operation and expansion, we will strive to implement better personalized customer services and policies. We have extended our business network to nearly 1,400 dealers with established cooperative channels in more than 300 cities in China, through all of which we aim to build a comprehensive network satisfying customer demands in an expeditious manner;
- In advancing the diversity of the platform construction, the Company will continue to shift to the online channel for identifying customers, while attracting and retaining loyal customers under the combination of online and offline approaches;
- To continuously enhance differentiation in customer services, the Company will optimize product designs and secure the first-mover advantage in the new lines of business in the automobile industry. In response to the market demands, our innovative products and services must be based on the marketing philosophy of placing customers at the core;
- For the purpose of continuously expanding the risk control scope, the Company always recognizes the importance of credit risk control by implementing comprehensive risk management system to achieve the synergy of profitability, safety, and liquidity in the external environment. Big data will be used for risks prevention and control so that we remain on high alert for inherent risks;
- To enhance corporate governance, the Company will ride on the listing of its H shares on the Main Board to strenuously develop a scientific and comprehensive corporate governance system;
- To buttress the professionalism in our operation and management, the Company will build a management team with insightful knowledge about the finance and automobile industries, to continuously improve the operation and management capabilities. Reasonable and effective incentive mechanism will be put in place to safeguard the strategic accomplishments of the Company so that the Company can lay a solid foundation to its sustainable development.

## CHAIRMAN'S STATEMENT

Looking into the second half of 2019, the global economic outlook remains unfavorable with growing uncertainties in the trade conflicts and economic policies in different countries. However, the Company remains confident about the prospects of the consumer financial market in the PRC, as there is room for development. Therefore, the Company will actively take measures to seize development opportunities by providing quality services through multiple channels. We are staying true to our original aspiration and adhering to our belief that “despite the hardship of washing and sifting, once the wild sand blows away, real gold will be revealed” (meaning success is produced from hardship and challenges), as well as insisting on the high-quality development concept of “preventing risks, stabilizing growths, planning the overall situation, adjusting structure and improving standards”. The Company will continue to innovate services and improve its management. By studying the unique features of integrating the automotive industry with the financial industry, the Company explores innovation in systems and tries to strike a balance between risks and high shareholder returns, in a bid to exploring a path towards stable and rapid development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the investors for their concern and trust, to regulatory authorities for their support and guidance, and to partners and friends from all walks of life for their support. In the future, we will seek to meet their expectations, and work together to build a good ecosystem that leads to a brighter future of the auto finance industry.



**Lin Fan**  
*Chairman*

Shanghai, PRC, 30 August 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Economic and financial conditions

Amid the complicated market conditions at home and abroad for the first half of 2019, China's economic performance continued to fall within a reasonable range, as it continued to maintain a trajectory of stable advancement. Given a stable growth momentum in consumption and investment activities, the trade surplus saw some expansion. The industrial production and employment rate both remained basically stable, while the consumption price rose at a moderate pace. Gradually driven by favorable fiscal policies and sound monetary policies, the financial sector continued to strengthen its efforts to serve the real economy, in particular the private and micro-size businesses. As a result, financial reforms and liberalization turned to a new chapter. Given a stably improving economic performance in the high base during the first half of 2019, the market entities demonstrated greater vitality, facilitating the conversion of growth momentum. Following the proper and decisive introduction of risk control and prevention in the financial sector, the financial sector continued to improve the quality and efficiency of serving the real economy. The generally stable exchange rate of RMB bolstered the capacity to withstand external impacts.

#### Overview of automobile industry

According to the China Association of Automobile Manufacturers, for the first half of 2019, the production and sales volume of passenger vehicles amounted to 9.98 million and 10.13 million units, representing a year-on-year decrease of 15.8% and 14.0%, respectively. Driven by the consumption upgrade, however, the luxury vehicle market continued to grow at a fast pace. According to the statistics of China Automotive Dealers Association, the retail sales of luxury vehicles amounted to 1.53 million units, representing a year-on-year increase of 15.6%. Sales contribution of luxury vehicles over total passenger vehicles increased to 15.1%. Such increase is attributable to the fact that the luxury vehicle market continued to grow at a fast pace, as consumption upgrade drove the car replacement and first purchase of luxury vehicles, while efforts were made to launch promotions and reduce product prices.

By price range, a price uptrend became increasingly noticeable amid consumption upgrade, and the market with the selling price exceeding RMB200,000 enjoyed a favorable development. For the first half of 2019, the price range between RMB50,000 and RMB100,000 saw a downtrend, while the other price ranges experienced different levels of growth, among which, the price range between RMB200,000 and RMB250,000 grew by the highest rate of 26.2% on a year-on-year basis, while the price range between RMB250,000 and RMB350,000 and the price range exceeding RMB350,000 also outperformed the overall market. By market share, the price ranges exceeding RMB200,000 enjoyed an uptrend. With the entire market pricing on the upward trajectory, consumption upgrade saw an increasingly noticeable momentum.

In response to significant changes in the international conditions in 2019, the Chinese government successfully introduced and implemented important policies and measures, thereby materially affecting the automobile industry. Structural adjustment and transformation of the automobile industry has entered the fast track. Currently, the market dealt mainly with three changes, namely, the changing consumer demographic, changing landscape of automobile consumers, and changes driven by fin-tech applications.

In the domestic market, 25 auto finance companies ("AFCs") represent one of the best channels to safeguard the connectivity of the auto sales and distribution. In addition, the AFCs ensure the smooth operation of the automobile industry value chain by rendering ongoing support. On the demand-side, the AFCs can effectively reduce the costs of buying cars so that the consumers can afford easy car purchases or upgrades. This will continue to drive the demand. On the supply-side, the AFCs assist the automakers in immediate collection of funds to safeguard their healthy production conditions. As for automobile distribution, the AFCs can provide the car dealers with liquidity and help them establish an inventory system that can sustain their stable operating capacities. AFCs represent a good force to support real economy as they connect every component of the automobile industry chain to each other, including production, wholesales, and retails. They can deliver market demands and are the fundamental conditions for sustainable development.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Review of results

As at 30 June 2019, benefiting from increasing customer demand, the Company's loans and advances to customers increased 18.3% from RMB8.43 billion as at 31 December 2018 to RMB9.97 billion.

As at 30 June 2019, the Company's operating income amounted to RMB387 million, representing a year-on-year increase of 1.0% as compared to operating income of RMB383 million in the first half of 2018. The Company recorded a net profit of RMB202 million in the first half of 2019, representing a year-on-year decrease of 9.9% as compared to the net profit of RMB224 million in the first half of 2018, which was mainly due to the increase in our cost of funding resulting from the impact of the macro market environment during the reporting period.

During the reporting period, driven by the increase in loan size, the Company's interest income increased by 30.6% to RMB465 million on a year-on-year basis. However, due to the increase of average cost of funding for the corresponding period, net interest income amounted to RMB222 million, representing an increase of 3.6% as compared to the net interest income of RMB214 million in the first half of 2018. As at 30 June 2019, the Company newly disbursed 16,436 self-operated retail loans. Total balance from self-operated retail loan business amounted to RMB8.37 billion, representing a year-on-year increase of 5.8%. At the reporting period, the total balance from the Company's dealer loan business was RMB1.94 billion, representing a year-on-year increase of 497.4%.

	Six months ended 30 June	
	2019	2018
Amount of loans disbursed ( <i>RMB million</i> )	7,377	5,291
Number of self-operated retail loan disbursed	16,436	28,012
Including: Standard self-operated loans	12,266	18,881
Joint loans	4,170	9,131
Including: ZhengTong dealers	11,227	21,640
External dealers	5,209	6,372
Gross outstanding loan balance ( <i>RMB million</i> ) (before adjustment)	10,311	8,234
Including: Retail loan	8,368	7,909
Dealer loan	1,943	325

As at 30 June 2019, our net fee and commission income amounted to RMB128 million, representing a slight year-on-year decrease of 1.4% as compared to that in the first half of 2018. This was mainly due to the limitation and restriction imposed on the fee income for auto finance services. During the reporting period, the Company offered a total of 13,291 retail loan facilitation services, contributing to the fee and commission income of RMB91 million.

	Six months ended 30 June	
	2019	2018
Number of loans facilitated	13,291	17,045
Fee and commission income arising from retail loan facilitation business ( <i>in RMB thousand</i> )	90,962	114,295
Average fee and commission income arising from facilitation business ( <i>in RMB thousand</i> )	6.8	6.7



## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, our accumulated operating expenses were RMB69 million, representing a year-on-year increase of 33.7% as compared to operating expenses of RMB52 million in the first half of 2018, which was mainly due to the increase in labor costs and variable costs incurred in business expansion. The accumulated impairment losses in the first half of 2019 was RMB48 million, representing a year-on-year increase of 46.9% as compared to that of RMB32 million in the first half of 2018. The increase in impairment losses was mainly due to the increase in the balance of our loans and advances to customers.

The loans and advances to customers as of 30 June 2019 was RMB9.97 billion, representing an increase of 18.3% as compared to RMB8.43 billion as of 31 December 2018. In terms of loan quality, the Company's balance of overdue loans as of 30 June 2019 was RMB87 million, representing a decrease of 17.4% as compared to that of RMB105 million at the end of 2018. As of 30 June 2019, the Company's non-performing loan ratio was 0.33%, the loan provision rate was 1.57%, and the provision coverage ratio was 471.01%.

	As at 30 June 2019 %	As at 31 December 2018 %
Non-performing loan (NPL) ratio (60+)	0.33%	0.27%
Provision coverage ratio	471.01%	582.29%

The Company's capital adequacy ratio increased from 31.3% at the end of 2018 to 42.1% as at 30 June 2019.

	As at 30 June 2019 %	As at 31 December 2018 %
Core tier-one capital adequacy ratio	40.99%	30.18%
Tier-one capital adequacy ratio	40.99%	30.18%
Capital adequacy ratio	42.10%	31.26%

### Business development

#### (I) to expand both ZhengTong and external dealer networks

By capitalizing on the advantages of 4S dealership channel under ZhengTong and the auto brand of Dongfeng Motor, the Company is committed to its external channel expansion, while extending its business network to nearly 200 middle and high-end 4S dealership stores, and more than 1,300 partnership-based dealers in more than 300 cities. Besides focusing on sales to middle and high-end brands, these channels keep abreast with the 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 2019	As at 31 December 2018
Number of sales networks	1,373	1,280
Including: ZhengTong dealers	118	113
External dealers	1,255	1,167

## MANAGEMENT DISCUSSION AND ANALYSIS

### (II) to be actively committed to product research and development

In recognizing customers as the center of our business, the Company will study the consumer demands and take into due consideration the industry competition and market factors. By actively configuring the product offering (including short-term/medium-term/medium-and-long-term products) and designing a variety of flexible repayment models, we achieve efficient product cycle management. The Company's product offering comprises (i) retail loan business, where the Company provides retail loans and other financial services to the end customers who wish to purchase vehicles; (ii) dealer loan business, where the Company provides dealers with inventory financing to facilitate the procurement for sales to end customers, which also helps the Company deepen the understanding of the dealer demands and further cement the partnership; and (iii) direct leasing business, where the Company provides retail clients and corporate clients with direct leasing products and services to accommodate their business development, taxation settlement, and optimization of asset portfolio.

	For six months ended	
	30 June 2019	2018
Gross outstanding loan balance ( <i>RMB million</i> ) (before adjustment)	10,311	8,234
Including: Retail loan	8,368	7,909
Dealer loan	1,943	325

### (III) to share resources and build ecosystem

ZhengTong Group possesses more than twenty years of auto sales experience. Utilizing ZhengTong Group's experiences and premier services, the Company will carry out efficient consolidation of the resources shared by ZhengTong Group and Dongfeng Motor Group to expand the high net-worth customer channel, as well as to achieve effective ecosystem integration.

## CORPORATE DEVELOPMENT STRATEGY AND OUTLOOK

In response to changing market conditions and increasingly stringent financial regulation, the Company persists in steady advancement, while striving to achieve improvements in both business expansion and risk control over the course of compliant operation. Our core loan business risk control capacity will remain commensurate with our business size, safeguarding our good asset quality and stable business development. For the sustainable development of the Company, the Company will continue to strengthen its product research and development, risk control, and internal management process; increase the opportunities to collaborate with more automobile manufacturers; constantly expand the partnership network with external dealers of the Group; steadily escalate the growth rate of the loan size of the Company; and achieve a balance between the risk exposure and economies of scale.

### Funding guarantee

The Company successfully completed its initial public offering on the Stock Exchange in April this year, which provided strong financial support for the Company's self-operated retail loan business. The Company anticipates that the retail loan business will maintain its rapid growth. As at 30 June 2019, deposits with banks amounted to RMB1.66 billion, representing an increase of 112% as compared to RMB0.78 billion as at the end of 2018. As of 30 June 2019, borrowings from banks and other financial institutions amounted to RMB7.52 billion, representing an increase of 24% as compared to RMB6.1 billion as at the end of 2018. The Company established partnership with a total of 45 creditworthy banks, with total facilities of over RMB11.0 billion and a withdrawal balance of RMB7.5 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Expansion of channels

In the second quarter of 2019, the Company entered into a retail finance product cooperation agreement with a well-known domestic automobile manufacturer in relation to the provision of promotional finance products for nearly 100 authorized dealers in its national network. The Company also launched a pilot financial project with one of its top ten dealers in the PRC. The abovementioned initiatives further expanded the foundation for growing the Company's automobile retail loans business, and enriched the business cooperation channels. During the year, the Company will also strengthen business cooperation with new energy vehicle brands and automotive vertical media internet platforms to broaden new business channels and enrich growth perspectives.

### Technological innovation

The Company will vigorously promote its WeChat mini-program and official account to reinforce the consumer loyalty, better serve existing and potential customers, and further reduce the operating costs of post-loan management. As a licensed financial institution with a dealership background, the Company will also, by utilizing its advantages, launch the Dongzheng online retail customer credit application to expand customer sources and enhance brand awareness through offline and online channels. The Company will organize and deploy multi-channel vehicle resources in combination with customized wholesale financing and retail financial loan products to empower the partnership dealers and enhance their loyalty and satisfaction with the Company.

### Risk control and management

In the first half of 2019, the Company reviewed and improved its risk control system and operation management process, and strengthened its dealership management system. In addition, more training and assessment were given to internal business personnel, which consolidated the Company's risk management, operation management and other related systems and procedures. Following the review and improvement in the first half of the year, the Company will continue to engage professionals to strengthen its risk control tools for AI big data in the second half of the year, further providing the Company with technical support for increasing the number of customers through offline and online channels.

### Ecological integration

The Company believes that supported by the professional risk control policy, efficient approval process, extensive dealership experiences and support from its parent company ZhengTong, the Company is in a position to integrate the functional modules such as the after-sales services in the stores of its parent company's financial leasing companies, insurance agencies and dealers. Such integration will build a comprehensive auto services ecosystem covering auto purchase, use and replacement for the customers. For the parent company's numerous existing retail customers, the Company will introduce customized financial products to assist them in vehicle upgrades and replacements.

### Business outlook

Looking into the future, with China's consumption upgrade penetrating into the third and fourth-tier cities, together with a growing demand for improvement-driven car replacement, it is expected that the luxury car market will maintain a comparatively high-speed growth. To better seize the opportunities arising from industry development, the Company will further strengthen its marketing team in the second half of 2019, and increase investments in its retail loan and dealer loan businesses. In addition to expanding its financing channels, the Company will continue to consolidate its capital base, enhance its vital competitive strengths, and build a multi-level and comprehensive channel network with an extensive coverage.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

- (l) Net interest income: The Company's net interest income increased slightly from RMB214 million for the six months ended 30 June 2018 to RMB222 million for the six months ended 30 June 2019.

Set out below are the comparative figures for the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Interest income</b>		
Loans and advances to customers	453,222	349,321
Deposits with central bank, banks and other financial institutions	7,981	2,312
Finance lease	4,184	4,799
	<b>465,387</b>	356,432
<b>Interest expenses</b>		
Placements from banks and other financial institutions	(243,256)	(138,453)
Deposits from shareholders	(133)	(3,728)
	<b>(243,389)</b>	(142,181)
<b>Net interest income</b>	<b>221,998</b>	214,251

1. Interest income: As of 30 June 2019, the Company recorded interest income of RMB465 million, representing an increase of 30.6% as compared to RMB356 million in the same period of 2018. The increase in interest income was mainly due to the increase in loan size. During the period, the average yield of retail loans was 9.81%, which remained stable as compared to the first half of 2018, while the average yield of dealer loans increased to 8.79% from 7.39% in the first half of 2018.

	For the six months ended 30 June 2019 %	For the year ended 31 December 2018 %	For the six months ended 30 June 2018 %
Net interest margin	4.16	5.48	5.65
Average yield of loans and advances to customers	9.68	9.78	9.71
Including: average yield of retail loans	9.81	9.92	9.88
average yield of dealer loans	8.79	7.65	7.39

2. Interest expenses: Interest expenses of the Company increased from RMB142 million in the first half of 2018 to RMB243 million in the first half of 2019, mainly due to the increase in borrowings and financing costs resulting from the increase in loan size. As at 30 June 2019, our outstanding balance of placements from banks and other financial institutions was RMB7.46 billion, with average cost rate of interest-bearing liabilities of 6.76% (31 December 2018: RMB6.09 billion, with average cost rate of interest-bearing liabilities of 6.09%).

## MANAGEMENT DISCUSSION AND ANALYSIS

The increase in financing costs was mainly due to the fact that most of the existing bank loans of the Company were withdrawn in 2018, with higher interest rates on withdrawals led by the tight funding in the entire banking market in 2018. From January to June 2019, the weighted average interest rate of the Company's new withdrawals was 6.23%. Therefore, with the continuous repayment and renewal of bank loans withdrawn in 2018, the funding cost is expected to gradually decrease in the future.

In the second half of 2019, apart from continued commitments among the existing partnership banks and expanding new banking partners, the Company will proactively advance the issuance of asset-backed securities (ABS) and financial bonds, optimize the joint loans with partner banks, and secure cross-border financing channels, for the purposes of expanding effective financing channels while continuing to reduce financing costs.

	For the six months ended 30 June 2019	For the year ended 31 December 2018	For the six months ended 30 June 2018
	%	%	%
Average cost of interest-bearing liabilities	6.76	6.09	5.76
Average cost of additional new interest-bearing liabilities	6.23	6.68	6.87

(II) Non-interest income: For the first half year of 2019, the Company received non-interest income of RMB165 million, slightly lower than RMB169 million for the first half of 2018.

1. Net fee and commission income: Net fee and commission income of the Company for the first half of 2019 was RMB128 million. Set forth below is a detailed breakdown:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Fee and commission income		
Consultancy services	90,962	114,295
Joint loan services	33,772	15,729
Others	4,191	733
	128,925	130,757
Fee and commission expenses		
Commission fees	(221)	(365)
Others	(470)	(314)
	(691)	(679)
Net fee and commission income	128,234	130,078

2. Other net income: For the first half of 2019, the Company recorded net exchange gain of RMB36 million, while other net income for the first half of 2018 was mainly government grants in an amount of RMB38 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (III) Operating expenses: As at 30 June 2019, the Company's operating expense amounted to RMB118 million in total, among which, business and administrative expenditure and finance costs amounted to RMB69 million, and impairment loss on assets amounted to RMB48 million, representing an increase of RMB17 million and RMB15 million as compared to RMB52 million and RMB32 million for the same period 2018. As at 30 June 2019, the Company's total number of employees amounted to 373.
- (IV) Impairment loss: At the beginning of 2018, the Company adopted the HKFR 9 Expected Credit Loss Model to categorize the risk assets of the Company into three stages. For the first half of 2019, the total impairment loss amounted to RMB48 million, representing an increase of 46.9% as compared to RMB32 million for the same period in 2018.

## Impairment Loss

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Loans and advances to customers	50,525	27,436
Deposits with banks and other financial institutions	—	(135)
Finance lease receivables	(2,979)	5,072
<b>Total</b>	<b>47,546</b>	<b>32,373</b>

- (V) Net profit: As at 30 June 2019, the Company achieved net profit of RMB202 million, representing a decrease of RMB22 million as compared to RMB224 million for same period in 2018.
- (VI) Analysis over major assets:
- Cash and deposits with central bank: As at 30 June 2019, deposits with central bank amounted to RMB9 million, representing a decrease of 74.7% as compared to RMB35 million for the year ended 31 December 2018. 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 is required to contribute 6% of the guarantee deposits and deposits from shareholders to the statutory deposit reserves.
  - Deposits with banks: As at 30 June 2019, the deposits with banks amounted to RMB1,656 million, representing an increase of 112.1% as compared to RMB781 million for the year ended 31 December 2018. A significant increase is mainly attributable to the increasing business demand and proceeds raised from listing.

## MANAGEMENT DISCUSSION AND ANALYSIS

3. Loans and advancements to customers: As at 30 June 2019, net loans and advances to customers amounted to RMB9.97 billion, representing an increase of 18.3% as compared to RMB8.43 billion for the end of 2018. Our loan business mainly comprises retail loan business and dealer loan business, among which, the gross balance of retail loans amounted to RMB8.14 billion, representing an increase of 6.2% as compared to RMB7.67 billion for the end of 2018, while the gross balance of dealer loans amounted to RMB1.94 billion, representing an increase of 118.2% as compared to RMB891 million for the year ended 31 December 2018.

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Retail loans	8,144,148	7,671,650
Dealer loans	1,943,168	890,506
Gross loans and advances to customers	10,087,316	8,562,156
Accrued interest	39,815	—
Less: allowances for impairment loss	(158,175)	(135,979)
Net loans and advances to customers	9,968,956	8,426,177

- (VII) Placements from banks and other financial institutions: The Company's placements from banks and other financial institutions as of 30 June 2019 was RMB7.52 billion, representing an increase of 23.5% as compared to RMB6.09 billion for the year ended 31 December 2018. The increase in placements from banks and other financial institutions was in line with our overall business growth. As of 30 June 2019, the Company established partnership with a total of 45 creditworthy banks, with total facilities of over RMB11 billion and a withdrawal balance of RMB7.5 billion.

## LIQUIDITY RATIO

Our liquidity ratio as at 30 June 2019 was 2,165.51% as compared to 1,180.02% as at 31 December 2018, indicating that the Company's assets due within one month were much higher than the liabilities due within one month, and that the Company boasted healthy liquidity.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 applied the principles and all the relevant code provisions as set out under the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from the Listing Date and up to 30 June 2019.

During the period between the Listing Date and up to the 30 June 2019, the Company has continuously complied with all code provisions set out in the Corporate Governance Code and adopted most of the recommended best practices set out therein.

### 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 all the Directors and Supervisors confirmed that they have complied with the above-mentioned code from the Listing Date and up to 30 June 2019.

### INTERIM DIVIDEND

The Board has recommended the declaration and payment of an interim dividend of RMB0.08 per share (tax inclusive) for the six months ended 30 June 2019. The declaration and payment of the interim dividend is subject to the approval of the Shareholders at the 2019 third extraordinary general meeting of the Company which is scheduled to be held on 21 October 2019 (the "EGM").

The dividends to H-shareholders are declared in Renminbi but paid in Hong Kong dollar. The exchange rate of RMB to HK\$ to be adopted shall be the average closing exchange rate of relevant foreign currency against RMB as quoted by the People's Bank of China for the five business days prior to the date of declaration of dividends or other distributions (i.e. at the EGM).



## CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGES IN THE SHARE CAPITAL

On 3 April 2019, the Company was listed on the Main Board of the Stock Exchange and issued 539,651,400 H Shares in total.

As of 30 June 2019, the total issued share capital of the Company amounted to RMB2,139,651,400, including 539,651,400 H Shares with a par value of RMB1.00 each, 80,000,000 Domestic Shares with a par value of RMB1.00 each and 1,520,000,000 Unlisted Foreign Shares with a par value of RMB1.00 each.

	1 January 2019		Changes during the Reporting Period	30 June 2019	
	Number (Shares)	Percentage (%)	Number (Shares)	Number (Shares)	Percentage (%)
Unlisted Foreign Shares	1,520,000,000	95.00	—	1,520,000,000	71.04
Domestic Shares	80,000,000	5.00	—	80,000,000	3.74
H Shares	—	—	539,651,400	539,651,400	25.22
Total number of ordinary shares	1,600,000,000	100.00	539,651,400	2,139,651,400	100.00

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

As at 30 June 2019, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or shall be notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 30 June 2019, the following substantial shareholders of the Company and other persons (other than Directors, Supervisors and chief executives of the Company) had or were deemed or taken to have interests or short positions in the Shares and underlying Shares which are required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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 of 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 <sup>4</sup>	80,000,000	100.00	3.74
Global Precise Assets Limited	H Shares	Long	Beneficial owner <sup>5</sup>	80,004,000	14.80	3.74
Citigroup Global Markets Limited	H Shares	Long	Person having a security interest <sup>6</sup>	51,682,242	9.58	2.42
Citigroup Global Markets Holdings Bahamas Limited	H Shares	Long	Interest of controlled corporation <sup>6</sup>	51,682,242	9.58	2.42
Citigroup Financial Products Inc.	H Shares	Long	Interest of controlled corporation <sup>6</sup>	51,682,242	9.58	2.42
Citigroup Global Markets Holdings Inc.	H Shares	Long	Interest of controlled corporation <sup>6</sup>	51,682,242	9.58	2.42
Citigroup Inc.	H Shares	Long	Interest of controlled corporation <sup>6</sup>	51,682,242	9.58	2.42
ICBC International Asset Management Limited	H Shares	Long	Investment manager <sup>7</sup>	49,167,242	9.11	2.30
TX Capital Value Fund	H Shares	Long	Investment manager <sup>8</sup>	44,948,000	8.33	2.10
TX Capital Partners	H Shares	Long	Interest of controlled corporation <sup>8</sup>	44,948,000	8.33	2.10
Morgan Stanley	H Shares	Long	Interest of controlled corporation,	24,287,468	4.50	1.14
		Short	interest held jointly with another person <sup>9</sup>	24,003,620	4.45	1.12

## 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.
- These 80,000,000 Shares were registered in the name of and beneficially owned by Dongfeng Motor Corporation (東風汽車集團有限公司).
- These 80,004,000 Shares were registered in the name of and beneficially owned by Global Precise Assets Limited.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

6. According to the disclosure of interests form filed by Citigroup Inc. on 31 May 2019, Citigroup Global Markets Limited holds 51,682,242 H Shares as a beneficial owner, which is a wholly-owned subsidiary of Citigroup Global Markets Holdings Bahamas Limited. Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc. and Citigroup Inc. indirectly hold interests in Citigroup Global Markets Limited. Therefore, according to the SFO, Citigroup Global Markets Holdings Bahamas Limited, Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc. and Citigroup Inc. are all deemed to be interested in the Shares held by Citigroup Global Markets Limited.
7. According to the disclosure of interests form filed by ICBC International Asset Management Limited on 10 May 2019, ICBC International Asset Management Limited holds 49,167,242 H Shares as an investment manager.
8. According to the disclosure of interests form filed by TX Capital Value Fund on 3 April 2019, TX Capital Value Fund holds 44,948,000 H Shares as an investment manager. TX Capital Value Fund is a wholly-owned subsidiary of TX Capital Partners. According to SFO, TX Capital Partners is deemed to be interested in the Shares held by TX Capital Value Fund.
9. Morgan Stanley, whose shares are listed on the New York Stock Exchange (Stock Code: MS), was deemed to have a long position in 24,287,468 H Shares and a short position in 24,003,620 H Shares in total by virtue of its control over the following corporations:
  - (a) Morgan Stanley Capital Services LLC is wholly owned by Morgan Stanley Domestic Holdings, Inc., which is wholly owned by Morgan Stanley Capital Management LLC, which in turn is wholly owned by Morgan Stanley.
  - (b) MSDW Investment Holdings (US) LLC is wholly owned by Morgan Stanley International Incorporated, which is owned by Morgan Stanley Domestic Holdings, Inc. and Morgan Stanley as to 10% and 90% respectively.
  - (c) Morgan Stanley & Co. International plc is wholly owned by Morgan Stanley Investments (UK), which is a wholly owned subsidiary of Morgan Stanley International Holdings Inc., which is owned by Morgan Stanley Domestic Holdings, Inc., Morgan Stanley International Incorporated and Morgan Stanley as to 10%, 18% and 72% respectively.
  - (d) Morgan Stanley International Limited is wholly owned by Morgan Stanley International Holdings, Inc., which is owned by Morgan Stanley Domestic Holdings, Inc., Morgan Stanley International Incorporated and Morgan Stanley as to 10%, 18% and 72% respectively.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other person (other than the Directors, Supervisors and the 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.

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

During the period from the Listing Date up to and including 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MATERIAL ACQUISITION OR DISPOSAL OF ASSETS

During the Reporting Period, there was no material acquisition and disposal of the Company's material assets including its subsidiaries, associates and joint ventures.

## CHARGES ON ASSETS

During the Reporting Period, there were no charges on the Company's assets.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2019, the Company did not have any plans for material investments and capital assets.

### CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### 1 Changes of Directors during the Reporting Period

- (1) On 8 March 2019, Dr. Bao Xiaoli ceased to serve as an independent non-executive Director, chairman of Audit Committee, member of Risk Management Committee and Remuneration and Evaluation Committee due to personal reasons.
- (2) The 2019 first extraordinary general meeting held on 27 February 2019 considered and approved the proposal on the election of Mr. Lau Wai Leung Anders as independent non-executive Director. The qualification of Mr. Lau Wai Leung Anders as independent non-executive Director was approved by the CBIRC Shanghai Bureau on 8 March 2019. Mr. Lau Wai Leung Anders began to serve as independent non-executive Director, chairman of Audit Committee, member of Risk Management Committee and Remuneration and Evaluation Committee as of 8 March 2019.
- (3) On 10 May 2019, Mr. Yin Yaoliang tendered his resignation as non-executive Director with effect from the effective date of the appointment of Mr. Li Guozhou, as he intends to focus on the development of his other business commitments.

#### 2 Changes of Directors after the Reporting Period

The 2019 second extraordinary general meeting held on 3 July 2019 considered and approved the proposal on the election of Mr. Li Guozhou as a non-executive Director. The qualification of Mr. Li Guozhou as a non-executive Director is subject to the approval by the CBIRC Shanghai Bureau and expected to be approved by CBIRC Shanghai Bureau on September 2019.

#### 3 Changes of Supervisors during the Reporting Period

There was no change in the Supervisors during the Reporting Period.

#### 4 Changes of Senior Management during the Reporting Period

The qualification of Mr. Liu Jun as the vice president of the Company was approved by the CBIRC Shanghai Bureau on 22 February 2019.

#### 5 Changes of Information of Directors during the Reporting Period

In December 2018, Mr. Lau Wai Leung Anders began to serve as an independent non-executive director of Rizhao Port Jurong Co., Ltd., a company whose shares are which listed on the Stock Exchange on 19 June 2019 (stock code: 6117).

Save as disclosed above, there is no change in the information of the Directors during the Reporting Period that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### HUMAN RESOURCES

As at 30 June 2019, the Company had 373 employees in total, most of the employees were located in PRC. The Company has a team of highly educated and talented individuals. As at 30 June 2019, approximately 63.8% of the Company's employees hold a bachelor's degrees or above, and 13.4% hold a master's degree or above, with approximately 74.8% of the Company's employees under the age of 35. In the first half of 2019 and 2018, the Company incurred employees' remuneration of RMB41.8 million and RMB30.2 million respectively.

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.

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 3 April 2019. The net proceeds from the Global Offering (including the exercise of over-allotment option, after deducting underwriting commissions and relevant expenses in connection with the Global Offering) amounted to HK\$1,529.3 million. As at 30 June 2019, the Company has not applied the proceeds and has no intention to change the use of proceeds. The proceeds will be used in the same manner and in the same proportion as disclosed in the Prospectus.

### SIGNIFICANT LITIGATION AND ARBITRATION

During the Reporting Period, there was no litigation and arbitration which had a significant impact on the operating activities of the Company.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Wai Leung Anders (chairman), Mr. Lin Zheyang and Ms. Liang Yanjun.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Company, reviewing the financial information of the Company and the relationship with the external auditor of the Company.

The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2019. The external auditor of the Company has reviewed the interim report in accordance with the Hong Kong Standards on Review Engagements. The Audit Committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

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

30 August 2019

## 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 22 to 72 which comprises the statement of financial position of Shanghai Dongzheng Automotive Finance Co., Ltd. (the "Company") as of 30 June 2019 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 2019 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

30 August 2019

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (unaudited) RMB'000	2018 (unaudited) (Note) RMB'000
Interest income		465,387	356,432
Interest expenses		(243,389)	(142,181)
Net interest income	4	221,998	214,251
Fee and commission income		128,925	130,757
Fee and commission expenses		(691)	(679)
Net fee and commission income	5	128,234	130,078
Other net income	6	36,601	38,536
Operating income		386,833	382,865
Operating expenses		(69,185)	(51,729)
Impairment losses		(47,546)	(32,373)
Finance costs		(781)	—
Profit before taxation	7	269,321	298,763
Income tax	8	(67,465)	(74,689)
Profit and total comprehensive income for the period		201,856	224,074
Earnings per share			
Basic and diluted (RMB)	9	0.11	0.14

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.

**STATEMENT OF FINANCIAL POSITION**

at 30 June 2019 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) (Note) RMB'000
<b>Assets</b>			
Cash and deposits with central bank	10	8,925	35,213
Deposits with banks and other financial institutions	11	1,656,055	780,960
Loans and advances to customers	12	9,968,956	8,426,177
Finance lease receivables	13	83,835	102,980
Property and equipment	14	25,576	5,113
Intangible assets	15	14,581	15,357
Deferred tax assets		55,630	73,804
Other assets	16	43,919	92,557
<b>Total assets</b>		<b>11,857,477</b>	<b>9,532,161</b>
<b>Liabilities</b>			
Placements from banks and other financial institutions	17	7,517,395	6,085,347
Guarantee deposits	18	123,675	79,632
Deposits from shareholders	19	—	600,000
Lease liabilities	3(d)	20,514	—
Current taxation		34,029	59,478
Other liabilities	20	168,662	224,611
<b>Total liabilities</b>		<b>7,864,275</b>	<b>7,049,068</b>
<b>NET ASSETS</b>		<b>3,993,202</b>	<b>2,483,093</b>

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.



**STATEMENT OF FINANCIAL POSITION**

at 30 June 2019 — unaudited

(Express in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 (unaudited) RMB'000	As at 31 December 2018 (audited) (Note) RMB'000
CAPITAL AND RESERVES	21		
Share capital		2,139,651	1,600,000
Reserves		1,853,551	883,093
<b>TOTAL EQUITY</b>		<b>3,993,202</b>	<b>2,483,093</b>

Approved and authorised for issue by the board of directors on 30 August 2019.

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.

## STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 — 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
Balance at 1 January 2018	1,600,000	—	46,004	55,700	328,872	2,030,576
Changes in equity for the six months ended 30 June 2018:						
1. Profit and total comprehensive income for the period	—	—	—	—	224,074	224,074
2. Capital injection	—	404,340	(46,004)	—	(358,336)	—
Balance at 30 June 2018 (unaudited)	1,600,000	404,340	—	55,700	194,610	2,254,650
Changes in equity for the six months ended 31 December 2018:						
1. Profit and total comprehensive income for the period	—	—	—	—	228,443	228,443
2. Appropriation of profits						
— Appropriation for surplus reserve	—	—	45,252	—	(45,252)	—
— Appropriation for general risk reserve	—	—	—	51,341	(51,341)	—
Balance at 31 December 2018 (audited) (Note)	1,600,000	404,340	45,252	107,041	326,460	2,483,093
Adjustment on initial application of HKFRS 16 (net of tax)	3(c)	—	—	—	(915)	(915)
Adjusted balance at 1 January 2019	<b>1,600,000</b>	<b>404,340</b>	<b>45,252</b>	<b>107,041</b>	<b>325,545</b>	<b>2,482,178</b>
Changes in equity for the six months ended 30 June 2019:						
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
Balance at 30 June 2019 (unaudited)	<b>2,139,651</b>	<b>1,173,857</b>	<b>45,252</b>	<b>107,041</b>	<b>527,401</b>	<b>3,993,202</b>

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.

## CASH FLOW STATEMENT

for the six months ended 30 June 2019 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (Note)
Operating activities			
Profit before taxation		269,321	298,763
Adjustments for:			
Impairment losses	7(b)	47,546	32,373
Depreciation and amortisation	7(c)	8,622	3,756
Listing expenses	7(c)	9,207	—
Finance costs	7(c)	781	—
Changes in operating assets			
Net decrease/(increase) in deposits with central bank		7,538	(43,969)
Net increase in loans and advances to customers		(1,553,489)	(1,868,590)
Net decrease/(increase) in finance lease receivables		22,124	(98,481)
Net increase in other assets		(21,891)	(37,058)
Changes in operating liabilities			
Net increase in placements from banks and other financial institutions		1,378,799	834,583
Net increase/(decrease) in guarantee deposits		44,043	(25,527)
Net (decrease)/increase in deposits from shareholders		(600,000)	793,000
Net (decrease)/increase in other liabilities		(35,179)	90,674
Cash used in operations		(422,578)	(20,476)
Income tax paid		(74,435)	(137,616)
Net cash used in operating activities		(497,013)	(158,092)
Investing activities			
Payments for purchase of property and equipment and intangible assets		(6,891)	(3,303)
Net cash used in investing activities		(6,891)	(3,303)

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.

**CASH FLOW STATEMENT**

for the six months ended 30 June 2019 — unaudited  
(Express in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (Note)
Financing activities			
Proceeds from issuance of H-shares upon the public offering		1,413,670	—
Payments for listing expenses		(48,454)	—
Capital element of lease rentals paid		(4,260)	—
Interest element of lease rentals paid		(781)	—
Net cash generated from financing activities		1,360,175	—
Net increase/(decrease) in cash and cash equivalents		856,271	(161,395)
Cash and cash equivalents at 1 January		800,997	272,037
Cash and cash equivalents at 30 June	22	1,657,268	110,642

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. See note 3.

The notes on pages 28 to 72 form part of this interim financial report.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 1 BACKGROUND INFORMATION

Shanghai Dongzheng Automotive Finance Co., Ltd. was established on 11 March 2015 in the People's Republic of China (the "PRC") as a private-owned enterprise with limited liabilities. The Company was registered as a joint stock company with limited liability on 15 August 2018 (the "Conversion"). China Zhengtong Auto Services Holdings Limited and Dongfeng Motor Corporation held 95% and 5% equity interests in the Company respectively immediately after the conversion.

On 3 April 2019, the Company issued 533,336 thousand H-shares with par value of RMB1.00 per share at a price of HK\$3.06 per share by way of initial public offering to Hong Kong and overseas investors. On 25 April 2019, the over-allotment option granted by the Company was partially exercised. The Company issued and allotted an aggregate of 6,315 thousand H-shares at HK\$3.06 each. After the issuance and allotment of these shares, the registered and issued ordinary shares of the Company increased to 2,139,651 thousand shares with 539,651 thousand H-shares being listed on the Hong Kong Stock Exchange ("HKSE").

### 2 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 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the accountants' report extracted from the prospectus of the Company dated 14 March 2019 (the "Accountants' Report"), except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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 Accountants' Report. 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 21.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**3 CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Company.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**HKFRS 16, Leases**

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Company has initially applied HKFRS 16 as from 1 January 2019. The Company has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

**(a) Changes in the accounting policies****(i) New definition of a lease**

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Company applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Company has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Changes in the accounting policies (continued)

##### (ii) *Lessee accounting*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Company is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Company is concerned, these newly capitalised leases are primarily in relation to property and equipment as disclosed in Note 24(a).

When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. For the Company, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, using its carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)****(b) Critical accounting judgements and sources of estimation uncertainty in applying above accounting policies*****Determining the lease term***

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

**(c) Transition impact**

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Company determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.80%.

To ease the transition to HKFRS 16, the Company applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Company relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)****(c) Transition impact (continued)**

On transition into HKFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019 RMB'000
Right-of-use assets	23,300
Deferred tax asset	305
Lease liabilities	24,520
Retained earnings	(915)

The following table reconciles the operating lease commitments as disclosed in Note 24(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitment at 31 December 2018	28,423
Less: total future interest expenses	(3,903)
Total lease liabilities recognised at 1 January 2019	24,520

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Company is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

For right-of-use assets and lease liabilities, the Company has chosen not to present right-of-use assets separately and therefore includes the amount of the right-of-use assets within "property and equipment" — i.e. the same line item used to present the underlying assets of the same nature that it owns, and presents lease liabilities separately in the statement of financial position.

The Company concludes that there is no significant impact of the adoption of HKFRS 16 on the Company's statement of financial position.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)****(d) Lease liabilities**

The remaining contractual maturities of the Company's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 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	4,339	5,577	6,512	7,925
After 1 year but within 2 years	4,450	5,413	4,152	5,249
After 2 years but with 3 years	4,876	5,524	4,615	5,415
More than 3 years	6,849	7,165	9,241	9,834
	16,175	18,102	18,008	20,498
	20,514	23,679	24,520	28,423
Less: total future interest expenses		(3,165)		(3,903)
Present value of lease liabilities		20,514		24,520

**(e) Impact on the financial result, segment results and cash flows of the Company**

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Company as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Company's statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Company as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (e) Impact on the financial result, segment results and cash flows of the Company (continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Company's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for the six months ended 2019 with the actual corresponding amounts for the six months ended 2018 which were prepared under HKAS 17.

	Six months ended 30 June				2018
	2019				
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts For 2019 as if under HKAS 17 (D=A+B+C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
<b>Financial results for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:</b>					
Operating expenses	(69,185)	4,344	(5,041)	(69,882)	(51,729)
Finance costs	(781)	781	—	—	—
Profit before taxation	269,321	5,125	(5,041)	269,405	298,763
<b>Reportable segment profit before taxation for the six months ended 30 June 2019 (Note 26) impacted by the adoption of HKFRS 16:</b>					
— Retail business	212,880	4,659	(4,582)	212,957	243,128
— Dealer's loan business	11,859	466	(459)	11,866	14,652
— Others	44,582	—	—	44,582	40,983
<b>Total</b>	<b>269,321</b>	<b>5,125</b>	<b>(5,041)</b>	<b>269,405</b>	<b>298,763</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

## (e) Impact on the financial result, segment results and cash flows of the Company (continued)

	Six months ended 30 June			2018	
	2019				
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if Under HKAS 17 (C=A+B) RMB'000		Compared to amounts reported under HKAS 17 RMB'000
<b>Line items in the cash flow statements for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:</b>					
Cash used in operations	(422,578)	(5,041)	(427,619)	(20,476)	
<b>Net cash used in operating activities</b>	<b>(497,013)</b>	<b>(5,041)</b>	<b>(502,054)</b>	<b>(158,092)</b>	
Capital element of lease rentals paid	(4,260)	4,260	—	—	
Interest element of lease rentals paid	(781)	781	—	—	
<b>Net cash generated from financing activities</b>	<b>1,360,175</b>	<b>5,041</b>	<b>1,365,216</b>	<b>—</b>	

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**4 NET INTEREST INCOME**

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Interest income arising from</b>		
Loans and advances to customers	453,222	349,321
Deposits with central bank, banks and other financial institutions	7,981	2,312
Finance leases	4,184	4,799
	<b>465,387</b>	356,432
<b>Interest expenses arising from</b>		
Placements from banks and other financial institutions	(243,256)	(138,453)
Deposits from shareholders	(133)	(3,728)
	<b>(243,389)</b>	(142,181)
<b>Net interest income</b>	<b>221,998</b>	214,251

**5 NET FEE AND COMMISSION INCOME**

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Fee and commission income arising from</b>		
Consulting services	90,962	114,295
Joint loan services	33,772	15,729
Others	4,191	733
	<b>128,925</b>	130,757
<b>Fee and commission expenses arising from</b>		
Commission fees	(221)	(365)
Others	(470)	(314)
	<b>(691)</b>	(679)
<b>Net fee and commission income</b>	<b>128,234</b>	130,078

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**6 OTHER NET INCOME**

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Government grants	(a)	—	38,405
Net exchange gain		36,434	—
Others		167	131
<b>Other net income</b>		<b>36,601</b>	<b>38,536</b>

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

**7 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

**(a) Staff costs**

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries, bonuses and allowances	34,337	24,791
Contributions to pension schemes	3,963	2,844
Other social welfare	3,511	2,607
<b>Total</b>	<b>41,811</b>	<b>30,242</b>

**(b) Impairment losses**

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Loans and advances to customers	12(e)	50,525	27,436
Deposits with banks and other financial institutions	11	—	(135)
Finance lease receivables	13(b)	(2,979)	5,072
<b>Total</b>		<b>47,546</b>	<b>32,373</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**7 PROFIT BEFORE TAXATION (CONTINUED)****(c) Other items**

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000 (Note)
Rental and property management expenses	334	6,570
Depreciation and amortisation		
— owned property and equipment and intangible assets	4,278	3,756
— right-of-use assets	4,344	—
Tax and surcharges	3,934	2,546
Listing expenses	9,207	—
Travel expenses	1,155	1,172
Legal consultancy	952	883
Office expenses	630	810
Maintenance fees	343	375
Others	2,197	5,375
Sub-total	27,374	21,487
Finance cost	781	—
Total	28,155	21,487

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

**8 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS**

Taxation in the statement of profit or loss represents:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Current tax</b>		
Provision for the period	48,986	92,938
<b>Deferred tax</b>		
Origination and reversal of temporary differences	18,479	(18,249)
Total	67,465	74,689

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**9 BASIC AND DILUTED EARNINGS PER SHARE****(a) Calculations of 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 RMB201,856 thousand (six months ended 30 June 2018: RMB224,074 thousand) and the weighted average of 1,861,604 thousand ordinary shares (2018: 1,600,000 thousand shares) in issue during the interim period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2019 and 2018, therefore, diluted earnings per share are equivalent to basic earnings per share.

**(b) Weighted average number of ordinary shares**

	Six months ended 30 June	
	2019	2018
Number of ordinary shares as at 1 January (in thousands)	1,600,000	1,600,000
Effect of issuance of H-shares (in thousands)	261,604	—
Weighted average number of ordinary shares at 30 June (in thousands)	1,861,604	1,600,000

On 3 April 2019, the Company was listed on the Main Board of the HKSE, pursuant to which 533,336 thousand ordinary shares were issued. On 25 April 2019, the over-allotment option granted by the Company was partially exercised, pursuant to which 6,315 thousand ordinary shares were issued. The weighted average number of ordinary shares in issue for six months ended 30 June 2019 is adjusted to reflect the effect of H-shares issued upon public offerings.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**10 CASH AND DEPOSITS WITH CENTRAL BANK**

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deposits with central bank			
– Statutory deposit reserves	(a)	7,638	15,176
– Surplus deposit reserves	(b)	1,283	20,037
Sub-total		8,921	35,213
Accrued interest		4	–
<b>Total</b>		<b>8,925</b>	<b>35,213</b>

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

As at 30 June 2019 and 31 December 2018, the statutory deposit reserve ratios applicable to the Company were as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Reserve ratio for deposits	6.0%	7.0%

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**11 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deposits with banks	1,655,985	780,960
Accrued interest	70	—
Less: Allowances for impairment losses	—	—
<b>Total</b>	<b>1,656,055</b>	780,960

	Allowances for impairment losses RMB'000
At 1 January 2018	135
Reversal for the year	(135)
At 31 December 2018	—
Charge for the period	—
At 30 June 2019	—

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**12 LOANS AND ADVANCES TO CUSTOMERS****(a) Analysed by nature**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Retail loans	8,144,148	7,671,650
Dealer's loans	1,943,168	890,506
Gross loans and advances to customers	10,087,316	8,562,156
Accrued interest	39,815	—
Less: Allowances for impairment losses	(158,175)	(135,979)
Net loans and advances to customers	9,968,956	8,426,177

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

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Collateralized loans	8,144,148	7,671,650
Guaranteed loans	1,943,168	890,506
Gross loans and advances to customers	10,087,316	8,562,156
Accrued interest	39,815	—
Less: Allowances for impairment losses	(158,175)	(135,979)
Net loans and advances to customers	9,968,956	8,426,177

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 12 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	As at 30 June 2019					Total RMB'000
	Overdue	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		
RMB'000	(inclusive)	(inclusive)	RMB'000	RMB'000		
Collateralized loans	62,253	20,345	2,477	1,442	86,517	

  

	As at 31 December 2018					Total RMB'000
	Overdue	Overdue	Overdue	Overdue		
	within	more than	more than	Overdue		
	3 months	3 months to 6	6 months to	more than		
	(inclusive)	months	one year	one year		
RMB'000	(inclusive)	(inclusive)	RMB'000	RMB'000		
Collateralized loans	85,932	15,897	2,037	932	104,798	

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 2019, there was no overdue guaranteed loan (as at 31 December 2018: Nil).

## (d) Analysed by methods for assessing allowances for impairment loss

	As at 30 June 2019				Total RMB'000
	12-month ECL	Lifetime	Lifetime		
	RMB'000	ECL for not	ECL for credit-		
		credit-impaired	impaired		
		RMB'000	RMB'000		
Gross loans and advances to customers (including accrued interest)	10,040,135	53,035	33,961	10,127,131	
Less: Allowances for impairment losses	(104,455)	(23,769)	(29,951)	(158,175)	
Net loans and advances to customers (including accrued interest)	9,935,680	29,266	4,010	9,968,956	

  

	As at 31 December 2018				Total RMB'000
	12-month ECL	Lifetime	Lifetime		
	RMB'000	ECL for not	ECL for credit-		
		credit-impaired	impaired		
		RMB'000	RMB'000		
Gross loans and advances to customers	8,457,202	81,357	23,597	8,562,156	
Less: Allowances for impairment losses	(89,071)	(26,522)	(20,386)	(135,979)	
Net loans and advances to customers	8,368,131	54,835	3,211	8,426,177	



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 13 FINANCE LEASE RECEIVABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Minimum finance lease receivables	96,834	126,287
Less: Unearned finance lease income	(7,760)	(11,844)
Present value of finance lease receivables	89,074	114,443
Less: Allowances for impairment losses	(5,239)	(11,463)
Total	83,835	102,980

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

	As at 30 June 2019		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Less than 1 year	64,227	(5,811)	58,416
1 year to 2 years	30,331	(1,805)	28,526
2 years to 3 years	2,073	(125)	1,948
3 years to 4 years	183	(19)	164
4 years to 5 years	20	—	20
Sub-total	96,834	(7,760)	89,074
Less: Allowances for impairment losses			(5,239)
Total			83,835

	As at 31 December 2018		
	Minimum finance lease receivables RMB'000	Unearned finance lease income RMB'000	Present value of finance lease receivables RMB'000
Less than 1 year	66,547	(8,153)	58,394
1 year to 2 years	45,486	(3,106)	42,380
2 years to 3 years	13,917	(542)	13,375
More than 3 years	337	(43)	294
Sub-total	126,287	(11,844)	114,443
Less: Allowances for impairment losses			(11,463)
Total			102,980

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 13 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Note	Six months ended 30 June 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:					
– to 12-month ECL		4,057	(4,057)	–	–
– to lifetime ECL for not credit-impaired		(4)	4	–	–
(Reversal)/charge for the period	7(b)	(4,085)	118	988	(2,979)
Write-off for the period		–	–	(3,245)	(3,245)
At 30 June 2019		612	224	4,403	5,239

  

	12-month ECL RMB'000	Year ended 31 December 2018		Total RMB'000
		Lifetime ECL for not credit-impaired RMB'000	Lifetime ECL for credit- impaired RMB'000	
At 1 January 2018	196	–	–	196
Transferred to:				
– to lifetime ECL for credit-impaired	(75)	–	75	–
Charge for the year	523	4,159	6,585	11,267
At 31 December 2018	644	4,159	6,660	11,463

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

## 14 PROPERTY AND EQUIPMENT

	30 June 2019				Total RMB'000
	Electronic equipment RMB'000	Office furniture RMB'000	Improvement to leasehold property RMB'000	Properties leased for own use carried at cost (Note) RMB'000	
<b>Cost:</b>					
At 1 January 2018	2,608	840	5,491	—	8,939
Additions	989	192	1,569	—	2,750
At 31 December 2018	3,597	1,032	7,060	—	11,689
Impact on initial application of HKFRS 16 (Note)	—	—	—	33,918	33,918
At 1 January 2019	3,597	1,032	7,060	33,918	45,607
Additions	410	2	2,032	255	2,699
At 30 June 2019	4,007	1,034	9,092	34,173	48,306
<b>Accumulated depreciation:</b>					
At 1 January 2018	(867)	(398)	(3,116)	—	(4,381)
Charge for the year	(575)	(159)	(1,461)	—	(2,195)
At 31 December 2018	(1,442)	(557)	(4,577)	—	(6,576)
Impact on initial application of HKFRS 16 (Note)	—	—	—	(10,618)	(10,618)
At 1 January 2019	(1,442)	(557)	(4,577)	(10,618)	(17,194)
Charge for the period	(349)	(98)	(745)	(4,344)	(5,536)
At 30 June 2019	(1,791)	(655)	(5,322)	(14,962)	(22,730)
<b>Net book value:</b>					
At 31 December 2018	2,155	475	2,483	—	5,113
At 30 June 2019	2,216	379	3,770	19,211	25,576

Note: The Company has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 3.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**15 INTANGIBLE ASSETS**

	<b>Computer software RMB'000</b>
<b>Cost:</b>	
At 1 January 2018	26,695
Additions	3,490
At 31 December 2018	30,185
Additions	2,310
At 30 June 2019	<b>32,495</b>
<b>Accumulated amortisation:</b>	
At 1 January 2018	(9,282)
Charge for the year	(5,546)
At 31 December 2018	(14,828)
Charge for the period	(3,086)
At 30 June 2019	<b>(17,914)</b>
<b>Net book value:</b>	
At 31 December 2018	15,357
At 30 June 2019	<b>14,581</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**16 OTHER ASSETS**

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Interest receivables		11,828	35,607
Prepayments		12,406	3,719
Other receivables	(a)	19,683	22,577
IPO service fees		—	30,640
Others		2	14
<b>Total</b>		<b>43,919</b>	<b>92,557</b>

**(a) Other receivables**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Commission receivables of joint loans	14,872	16,073
Deposits	4,811	4,806
Consulting fees	—	1,698
<b>Total</b>	<b>19,683</b>	<b>22,577</b>

**17 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Placements from banks	7,464,146	6,085,347
Accrued interest	53,249	—
<b>Total</b>	<b>7,517,395</b>	<b>6,085,347</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**18 GUARANTEE DEPOSITS**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deposits provided by dealers for dealer's loans	100,098	56,047
Deposits from finance lease clients	16,685	16,693
Deposits provided by dealers for retail business	6,892	6,892
<b>Total</b>	<b>123,675</b>	<b>79,632</b>

**19 DEPOSITS FROM SHAREHOLDERS**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deposits from shareholders	—	600,000

**20 OTHER LIABILITIES**

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Interest payable		—	49,315
Other payables	(a)	168,226	141,648
Advance receipts		436	33,648
<b>Total</b>		<b>168,662</b>	<b>224,611</b>

**(a) Other payables**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Payables of joint loans	74,110	77,294
IPO service fees payable	64,586	29,971
IPO brokerage fees payable	12,060	—
Employee benefits payables	7,755	10,609
Tax and surcharges and other taxation payable	3,673	17,064
Accruals	2,510	5,083
Others	3,532	1,627
<b>Total</b>	<b>168,226</b>	<b>141,648</b>

**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 of each component of the Company's equity for the reporting period is set out in the statements of changes in equity.

**(b) Dividends**

Dividends payable to equity shareholders attribute to the interim period:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interim dividend proposed after the interim period of RMB0.08 per share (six months ended 30 June 2018: Nil)	171,172	—

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

**(c) Share capital**

On 3 April 2019, the shares of the Company were listed on the Main Board of the HKSE, pursuant to which 533,336 thousand 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 HK\$1,632,008 thousand (equivalent to approximately RMB1,397,081 thousand). The premium arising from the issuance of H-shares upon public offering amounted RMB760,080 thousand 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 thousand 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 HK\$19,325 thousand (equivalent to approximately RMB16,589 thousand). The premium arising from the issuance of shares upon over-allotment amounted RMB9,437 thousand was recorded in capital reserve.

**(d) Capital reserve**

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

**(e) Capital management**

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, 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 possible with higher 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)**

The Company calculates the capital adequacy ratios as at 30 June 2019 and 31 December 2018 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 ("CBRC") in 2012 and relevant requirements promulgated by the China Banking and Insurance Regulatory Commission (the "CBIRC") as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Core tier-one capital		
– Share capital	2,139,651	1,600,000
– Capital reserve	1,173,857	404,340
– Surplus reserve	45,252	45,252
– General risk reserve	107,041	107,041
– Retained earnings	527,401	326,460
Total core tier-one capital	3,993,202	2,483,093
Core tier-one capital deductions		
– Net value of intangible asset after deduction of related deferred income tax liabilities	(14,581)	(15,357)
Net core tier-one capital	3,978,621	2,467,736
Net tier-one capital	3,978,621	2,467,736
Tier-two capital		
– Surplus provision for loan impairment	107,448	88,561
Net tier-two capital	107,448	88,561
Net capital base	4,086,069	2,556,297
Credit risk-weighted assets	8,703,294	7,173,419
Operational risk-weighted assets	1,003,235	1,003,235
Total risk-weighted assets	9,706,529	8,176,654
Core tier-one capital adequacy ratio	40.99%	30.18%
Tier-one capital adequacy ratio	40.99%	30.18%
Capital adequacy ratio	42.10%	31.26%

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**22 NOTES TO CASH FLOW STATEMENTS****Cash and cash equivalents comprise**

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Deposit reserves with central bank	1,283	20,037
Deposits with banks within original maturity of three months or less	1,655,985	780,960
Cash and cash equivalents in the cash flow statements	1,657,268	800,997

**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.

**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)****(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 recognized financial assets as stated in the statements 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:

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

For the six months ended 30 June 2019, the Company has written off loans and advances to customers of RMB29,766 thousand and finance lease receivables of RMB3,245 thousand respectively as the Company had identified the debtor has financial difficulty.

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

For deposits with banks and other financial institutions, 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.



## 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)

	Loans and advances to customers		30 June 2019 Finance lease receivables		Total RMB'000
	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)	10,040,135		83,624		10,123,759
Allowances for impairment losses	(104,455)	1.04%	(612)	0.73%	(105,067)
<b>Net balance</b>	<b>9,935,680</b>		<b>83,012</b>		<b>10,018,692</b>
<b>Gross balance are not credit-impaired and assessed for lifetime ECL</b>					
— Overdue but not credit-impaired	52,556		610		53,166
— Neither overdue nor credit-impaired (including accrued interest)	479		—		479
Sub-total	53,035		610		53,645
Allowances for impairment losses	(23,769)	44.82%	(224)	36.72%	(23,993)
<b>Net balance</b>	<b>29,266</b>		<b>386</b>		<b>29,652</b>
<b>Gross balance are credit-impaired and assessed for lifetime ECL</b>					
— Overdue and credit-impaired	33,961		4,840		38,801
Allowances for impairment losses	(29,951)	88.19%	(4,403)	90.97%	(34,354)
<b>Net balance</b>	<b>4,010</b>		<b>437</b>		<b>4,447</b>
Book value	9,968,956		83,835		10,052,791

## 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)

	31 December 2018				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	8,457,202		85,464		8,542,666
Allowances for impairment losses	(89,071)	1.05%	(644)	0.75%	(89,715)
<b>Net balance</b>	<b>8,368,131</b>		<b>84,820</b>		<b>8,452,951</b>
<b>Gross balance are not credit-impaired and assessed for lifetime ECL</b>					
— Overdue but not credit-impaired	81,201		6,434		87,635
— Neither overdue nor credit-impaired	156		15,016		15,172
Sub-total	81,357		21,450		102,807
Allowances for impairment losses	(26,522)	32.60%	(4,159)	19.39%	(30,681)
<b>Net balance</b>	<b>54,835</b>		<b>17,291</b>		<b>72,126</b>
<b>Gross balance are credit-impaired and assessed for lifetime ECL</b>					
— Overdue and credit-impaired	23,597		7,529		31,126
Allowances for impairment losses	(20,386)	86.39%	(6,660)	88.46%	(27,046)
<b>Net balance</b>	<b>3,211</b>		<b>869</b>		<b>4,080</b>
Book value	8,426,177		102,980		8,529,157

## 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)

#### (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 to maintain adequate cash and cash equivalents to meet the Company's liquidity requirements.

Currently, the Company's funding source mainly includes share capital, placements from banks and other financial institutions and the repayment of loans and advances. When the share capital on the repayment of loans and advances to customer is insufficient, the Company would supply its liquidity by placements from banks and other financial institutions. The funds are mostly used to grant loans and pay the operation expenses of the Company. In the case that the Company has placements from banks and other financial institutions, the funds also used to repay the matured principle and corresponding financing cost.

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 period.

	As at 30 June 2019						
	Repayable on demand/ terms undated RMB'000	Within one month RMB'000	Between one month and three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	Carrying amount RMB'000
<b>Assets</b>							
Cash and deposits with central bank	8,925	—	—	—	—	8,925	8,925
Deposits with banks and other financial institutions	1,656,055	—	—	—	—	1,656,055	1,656,055
Loans and advances to customers	33,186	810,904	1,949,816	3,640,355	4,618,846	11,053,107	9,968,956
Finance lease receivables	11,379	3,986	7,972	35,873	32,385	91,595	83,835
Other assets	20,578	10,935	—	—	—	31,513	31,513
<b>Total</b>	<b>1,730,123</b>	<b>825,825</b>	<b>1,957,788</b>	<b>3,676,228</b>	<b>4,651,231</b>	<b>12,841,195</b>	<b>11,749,284</b>
<b>Liabilities</b>							
Placements from banks and other financial institutions	—	(1,094,707)	(2,293,088)	(4,309,253)	—	(7,697,048)	(7,517,395)
Guarantee deposits	(106,990)	—	—	—	(16,685)	(123,675)	(123,675)
Lease liabilities	—	(827)	(1,651)	(3,099)	(18,102)	(23,679)	(20,514)
Other liabilities	(90,443)	(4,654)	(8,482)	(32,666)	(28,308)	(164,553)	(164,553)
<b>Total</b>	<b>(197,433)</b>	<b>(1,100,188)</b>	<b>(2,303,221)</b>	<b>(4,345,018)</b>	<b>(63,095)</b>	<b>(8,008,955)</b>	<b>(7,826,137)</b>
	<b>1,532,690</b>	<b>(274,363)</b>	<b>(345,433)</b>	<b>(668,790)</b>	<b>4,588,136</b>	<b>4,832,240</b>	<b>3,923,147</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)

## (b) Liquidity risk (continued)

	As at 31 December 2018					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>Assets</b>							
Cash and deposits with central bank	35,213	—	—	—	—	35,213	35,213
Deposits with banks and other financial institutions	780,960	—	—	—	—	780,960	780,960
Loans and advances to customers	57,932	370,399	1,011,764	3,793,345	4,164,732	9,398,172	8,426,177
Finance lease receivables	7,758	4,114	8,230	37,034	57,688	114,824	102,980
Other assets	22,791	35,393	—	—	—	58,184	58,184
<b>Total</b>	<b>904,654</b>	<b>409,906</b>	<b>1,019,994</b>	<b>3,830,379</b>	<b>4,222,420</b>	<b>10,387,353</b>	<b>9,403,514</b>
<b>Liabilities</b>							
Placements from banks and other financial institutions	—	(121,911)	(1,666,942)	(4,136,881)	(378,319)	(6,304,053)	(6,085,347)
Guarantee deposits	(62,939)	—	—	—	(16,693)	(79,632)	(79,632)
Deposits from shareholders	—	(568)	(600,990)	—	—	(601,558)	(600,000)
Other liabilities	(124,584)	(9,097)	(26,497)	(13,721)	—	(173,899)	(173,899)
<b>Total</b>	<b>(187,523)</b>	<b>(131,576)</b>	<b>(2,294,429)</b>	<b>(4,150,602)</b>	<b>(395,012)</b>	<b>(7,159,142)</b>	<b>(6,938,878)</b>
	717,131	278,330	(1,274,435)	(320,223)	3,827,408	3,228,211	2,464,636

**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**

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

**(i) Interest rate profile**

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

	As at 30 June 2019		As at 31 December 2018	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
<b>Fixed interest rate:</b>				
Financial assets				
Loans and advances to customers	7.60%–15.48%	9,968,956	7.60%–15.48%	8,426,177
Finance lease receivables	7.86%–18.71%	83,835	7.86%–18.71%	102,980
		<b>10,052,791</b>		<b>8,529,157</b>
Financial liabilities				
Placements from banks and other financial institutions	5.00%–8.00%	(7,517,395)	5.00%–8.50%	(6,085,347)
Deposits from shareholders	N/A	—	1.10%	(600,000)
		<b>(7,517,395)</b>		<b>(6,685,347)</b>
<b>Net</b>		<b>2,535,396</b>		<b>1,843,810</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)

## (c) Interest rate risk (continued)

## (i) Interest rate profile (continued)

	As at 30 June 2019		As at 31 December 2018	
	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%	8,925	0.72%–1.62%	35,213
Deposits with banks and other financial institutions	0.01%–2.17%	1,656,055	0.30%–2.50%	780,960
		<u>1,664,980</u>		<u>816,173</u>

## (ii) Sensitivity analysis

## – Fair value interest rate risk

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

## – Cash flow interest rate risk

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Changes in net profit and equity		
Interest rates increase by 100 bps	10,926	7,142
Interest rates decrease by 100 bps	(10,924)	(7,092)

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 net profit 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.

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

The Company's functional currency is RMB. Except for the deposits with banks and other financial institutions, 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 Hongkong Dollars. As most of the proceeds from issuance of shares upon public offering and over-allotment are converted into RMB by the Company after 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.

**(i) Exposure to currency risk**

	Exposure to foreign currencies (expressed in RMB thousand)			
	As at 30 June 2019		As at 31 December 2018	
	USD	HKD	USD	HKD
Deposits with banks and other financial institutions	55	1,440,146	—	—
Other liabilities	—	(76,647)	—	—
<b>Net</b>	<b>55</b>	<b>1,363,499</b>	<b>—</b>	<b>—</b>

**(ii) Sensitivity analysis**

The following table indicates the instantaneous changes in the Company's net profit 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.

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Changes in net profit and equity		
Foreign exchange rate increase by 100 bps	10,227	—
Foreign exchange rate decrease by 100 bps	(10,227)	—

The foreign exchange sensitivity is the gain or loss recognized 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 net profit and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Company which expose the Company to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

**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)****(e) Operational risk**

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

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

**(f) Fair value**

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

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

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



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**24 COMMITMENTS****(a) Operating lease commitments**

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties leased for own use carried at cost 2018 RMB'000
Within 1 year (inclusive)	7,925
More than 1 year but less than 2 years (inclusive)	5,249
More than 2 years but less than 3 years (inclusive)	5,415
More than 3 years	9,834
	28,423

The Company is the lessee in respect of a number of properties and items of buildings, automobile, and green plant held under operating leases which were previously classified as operating leases under HKAS 17. The Company has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Company adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

**(b) Capital commitments**

As at 30 June 2019 and 31 December 2018, the Company's authorised capital commitments are as follows:

	<b>As at 30 June 2019 RMB'000</b>	As at 31 December 2018 RMB'000
Contracted but not pay for	—	32

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**25 MATERIAL RELATED PARTY TRANSACTIONS**

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

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

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

<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 Service Co., Ltd.	Fellow subsidiary
Beijing Baozhang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Beijing Dewanlong Trading Co., Ltd.	Fellow subsidiary
Beijing Baiwang Ware Automobile Sales Service 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
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 Zhongqi Southern Automobile Sales Service Co., Ltd.	Fellow subsidiary
Foshan Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Foshan Dingbaohang Automobile Sales Service Co., Ltd.	Fellow subsidiary
Foshan Baorun Automobile Sales Service Co., Ltd.	Fellow subsidiary
Foshan Zhengtong Zhongrui Automobile Sales Service 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 SAIC Southern Automobile Sales Service Co., Ltd.	Fellow subsidiary
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd.	Fellow subsidiary
Guangzhou Baoze Automobile Sales Service Co., Ltd.	Fellow subsidiary

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

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

<b>Company</b>	<b>Relationship</b>
Hainan SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Henan Jintangsheng Automobile Co., Ltd.	Fellow subsidiary
Hengyang Luze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Hunan Zhongqi South Starsha Automobile Sales Service 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 Service 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 Service Co., Ltd.	Fellow subsidiary
Jingmen Baoze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Langfang Luze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Nanchang Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Qingdao Huacheng Automobile Services Co., Ltd.	Fellow subsidiary
Qingdao Oze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Qingyuan Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Qingyuan Southern United Automobile Sales Service Co., Ltd.	Fellow subsidiary
Qingyuan Southern Toyota Motor Sales Service Co., Ltd.	Fellow subsidiary

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

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

<b>Company</b>	<b>Relationship</b>
Shantou Hongxiang Material Co., Ltd.	Fellow subsidiary
Shantou Lujie Automobile Sales Service 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 Trade Co., Ltd.	Fellow subsidiary
Shanghai Qize Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shanghai Qibao Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shanghai Zhengtong Dingze Financial Leasing 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 Southern Infiniti Automobile Sales Service Co., Ltd.	Fellow subsidiary
Shenzhen Zhongqi Nanfang Electrical&Mechanical Equipment Co., Ltd.	Fellow subsidiary
Shengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Shenzhen SCAS Huawo Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin SCAS Automobile Sales Services Co., Ltd.	Fellow subsidiary
Tianjin Automobile Industry Sales Shenzhen South Co., Ltd.	Fellow subsidiary

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

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

Company	Relationship
Weihai Luze Automobile Sales Service 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 Service Co., Ltd.	Fellow subsidiary
Wuhan Kaitai Automobile Sales Service Co., Ltd.	Fellow subsidiary
Wuhan Shengze Jietong Logistics Co., Ltd.	Fellow subsidiary
Xiangtan Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Xiangyang Baoze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Yichang Baoze Automobile Sales Service Co., Ltd.	Fellow subsidiary
Yichun Baoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhanjiang Zhengtong Kaidi Automobile Sales Service Co., Ltd.	Fellow subsidiary
Zhengzhou Aoze Automobile Sales Services Co., Ltd.	Fellow subsidiary
Zhengzhou Dingwo Automobile Sales Service 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 SAIC Southern Automobile Sales Service Co., Ltd.	Fellow subsidiary

**(b) Significant transactions with related parties**

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

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Subsidies receipt for retail loans	(i)	33,827	206,204
Interest income	(i)	140,068	137,015
Interest expenses		(133)	(3,728)
Operating expenses		(151)	(11)
Additions of deposits from shareholders		362,280	1,977,000
Decrease of deposits from shareholders		(962,280)	(1,184,000)

- (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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(c) Balances with related parties**

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

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
<b>Assets</b>			
Dealer's loans		1,496,275	683,069
Retail loans		—	13,230
Subsidies for retail loans	(i)	(119,070)	(184,014)
Mortgage service fees	(i)	2,794	7,027
Other assets		26	2,134
<b>Liabilities</b>			
Guarantee deposits		75,000	44,128
Deposits from shareholders		—	600,000
Other liabilities		2,106	1,133
<b>Off-balance sheet items</b>			
Guarantees received for dealer's loans	(ii)	1,496,275	683,069
Guarantees received for placements from banks and other financial institutions	(iii)	—	1,765,000

(i) The subsidies for retail loans and mortgage service fees are initially recognized in loans and receivables at amortized method.

(ii) 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.

(iii) The guarantees were provided by the parent company and fellow subsidiaries of the Company, and has been expired by the earlier of the listing date or when the related placements from banks and other financial institutions mature and repayable.

All balances with related parties are related to major business of the Company except for other liabilities due to fellow subsidiaries amounting to RMB2,106 thousand and RMB1,004 thousand as of 30 June 2019 and 31 December 2018, respectively.

**(d) Directors and key management personnel remuneration**

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Short-term employee benefits	4,735	4,298

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**26 SEGMENT REPORTING****(a) Business Segment**

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

- Retail Business: this segment represents the Company's retail business provided to automotive end customers. The Company's retail business facilitates its customer's 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.
- Others: These represent any other business which cannot form a single reportable segment.

	Six months 30 June 2019			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total 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

	As at 30 June 2019			
	Retail Business RMB'000	Dealer's loan Business RMB'000	Others RMB'000	Total RMB'000
Reportable segment assets/total assets	8,134,676	1,944,817	1,777,984	11,857,477
Reportable segment liabilities/total liabilities	(6,621,987)	(1,063,559)	(178,729)	(7,864,275)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

(Express in thousands of Renminbi, unless otherwise stated)

**26 SEGMENT REPORTING (CONTINUED)**

	Six months 30 June 2018			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net interest income	200,644	11,295	2,312	214,251
Net fee and commission income	130,078	—	—	130,078
Other net income	—	—	38,536	38,536
Operating income	330,722	11,295	40,848	382,865
Operating expenses	(49,716)	(2,013)	—	(51,729)
Impairment losses	(37,878)	5,370	135	(32,373)
Profit before taxation	243,128	14,652	40,983	298,763
Other segment information				
— Depreciation and amortisation	3,610	146	—	3,756

	As at 31 December 2018			
	Retail Business	Dealer's loan Business	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets/total assets	7,694,478	887,843	949,840	9,532,161
Reportable segment liabilities/total liabilities	(6,466,839)	(459,649)	(122,580)	(7,049,068)

**(b) Geographical information**

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

**(c) Information about major customers**

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



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Express in thousands of Renminbi, unless otherwise stated)

### 27 CONTINGENCIES

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

### 28 SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the board of directors proposed an interim dividend. Further details are disclosed in the Note 21(b).

Except for the above, the Company had no material events for disclosure subsequent to 30 June 2019 and up to the date of interim financial report.

### 29 COMPARATIVE FIGURES

The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in retained earnings at the date of initial application. Further details of the changes in accounting policies are disclosed in Note 3.

## DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shanghai Bureau”	China Banking and Insurance Regulatory Commission Shanghai Office
“Company”, “Dongzheng”, or “We”	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
“Domestic Shareholder(s)”	holders of Domestic Shares
“Global Offering”	the Hong Kong Public Offering and the International Offering as mentioned in the Prospectus
“H Share(s)”	issued ordinary share in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“H Shareholder(s)”	holders of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	3 April 2019
“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
“PBOC”	the People’s Bank of China

## DEFINITIONS

“PRC” or “China”	the People’s Republic of China, and for the purpose of this interim report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 14 March 2019
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	six months ended for the period from 1 January 2019 to 30 June 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary shares in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	issued ordinary shares 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
“%”	per cent.